

**Ashland City School District**  
**Ashland County, Ohio**  
*Audited Financial Statements*

*June 30, 2010*





# Dave Yost • Auditor of State

Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

We have reviewed the *Independent Auditor's Report* of the Ashland City School District, Ashland County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Ashland 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 14, 2011

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**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

**JUNE 30, 2010**

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**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

**JUNE 30, 2010**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 23, 2010

The Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Ashland City School District (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the School District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Rea & Associates, Inc.*



**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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The discussion and analysis of the Ashland City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2010 are as follows:

- General Revenues accounted for \$30,079,246 in revenue or 84 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,594,550 or 16 percent of total revenues of \$35,673,796.
- Total program expenses were \$36,240,911.
- In total, net assets decreased \$567,115, which represents a 3 percent decrease from 2009.
- Outstanding debt decreased from \$4,404,000 to \$3,701,969 through principal payments.

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

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets 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 which restrict revenue growth, facility conditions, required educational programs, and other factors.

The government-wide financial statements begin on page 11.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and permanent improvement fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 13.

**Proprietary Funds** - The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominantly benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 18.

**Fiduciary Funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used to proprietary funds.

The fiduciary fund financial statements begin on page 21.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009:

**Table 1**  
**Net Assets**  
**Governmental Activities**

	2010	2009
<b>Assets</b>		
Current and Other Assets	\$ 26,429,184	\$ 26,415,932
Capital Assets	11,573,940	11,597,629
<i>Total Assets</i>	38,003,124	38,013,561
<b>Liabilities</b>		
Other Liabilities	15,976,038	14,815,437
Long-Term Liabilities	6,194,397	6,798,320
<i>Total Liabilities</i>	22,170,435	21,613,757
<b>Net Assets</b>		
Invested in Capital		
Assets, Net of Debt	7,871,971	7,193,629
Restricted	434,446	1,160,288
Unrestricted (Deficit)	7,526,272	8,045,887
<i>Total Net Assets</i>	\$ 15,832,689	\$ 16,399,804

Total assets decreased by \$10,437. Total liabilities increased \$556,678 primarily due to an increase in accrued wages and benefits. This was a result of the payroll calendar with one extra pay being made after year end for contract wages earned as of year end. The net assets of the School District's governmental activities decreased \$567,115 due to the increase in liabilities.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

Table 2 shows the changes in net assets for fiscal year 2010 and 2009.

**Table 2**  
**Change in Net Assets**  
**Governmental Activities**

	2010	2009
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,107,337	\$ 1,967,509
Operating Grants, Contributions and Interest	3,487,213	3,882,308
Capital Grants and Contributions	0	6,622
<i>General Revenue:</i>		
Property Taxes	14,283,215	15,830,914
Grants and Entitlements	15,268,606	14,219,627
Payments in Lieu of Taxes	252,742	0
Investment Earnings	150,076	253,280
Miscellaneous	124,607	385,555
<b>Total Revenues</b>	<b>35,673,796</b>	<b>36,545,815</b>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	14,111,939	14,523,891
Special	4,813,709	3,969,256
Vocational	932,942	1,014,708
Student Intervention Services	37,955	271,767
Other	1,799,064	1,551,283
<i>Support Services:</i>		
Pupils	1,655,919	1,596,657
Instructional Staff	1,976,565	2,062,108
Board of Education	139,135	163,313
Administration	2,696,124	2,675,869
Fiscal	766,784	809,387
Business	364,888	468,538
Operation and Maintenance of Plant	2,748,724	2,980,807
Pupil Transportation	1,234,973	1,109,116
Central	317,431	301,765
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,402,103	1,414,276
Community Services	175,177	234,441
Extracurricular Activities	922,217	974,580
Interest and Fiscal Charges	145,262	160,814
<b>Total Expenses</b>	<b>36,240,911</b>	<b>36,282,576</b>
<b>Change in Net Assets</b>	<b>(567,115)</b>	<b>263,239</b>
<b>Net Assets Beginning of Year</b>	<b>16,399,804</b>	<b>16,136,565</b>
<b>Net Assets End of Year</b>	<b>\$ 15,832,689</b>	<b>\$ 16,399,804</b>

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

**Governmental Activities**

The vast majority of revenues supporting governmental activities are general revenues. General revenues decreased from \$30,689,376 in fiscal year 2009 to \$30,079,246 in fiscal year 2010. The primary source of this decrease was a decrease in property tax revenue.

A review of Table 2 shows the total cost of instructional services was \$21,695,609 or 60 percent of governmental program expenses. Instructional expenses increased \$364,704 from fiscal year 2009 to 2010. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil.

The expense for support services total \$11,900,543 or 33 percent of total expenses. Support services consist of pupil services and instructional staff which include the activities involved in assisting staff and the content and process of teaching to pupils, along with Board of education, administration, fiscal and business classifications which reflect expenses associates with establishing and administering school policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2010 and 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Total and Net Cost of Program Services**  
**Governmental Activities**

	2010	2009	2010	2009
	Total Cost of Service	Total Cost of Service	Net Cost of Service	Net Cost of Service
<b>Instruction:</b>				
Regular	\$ 14,111,939	\$ 14,523,891	\$ (12,928,199)	\$ (13,475,218)
Special	4,813,709	3,969,256	(3,268,213)	(2,274,129)
Vocational	932,942	1,014,708	(808,558)	(891,225)
Student Intervention Services	37,955	271,767	(37,955)	(271,767)
Other	1,799,064	1,551,283	(1,799,064)	(1,551,283)
<b>Support Services:</b>				
Pupils	1,655,919	1,596,657	(1,596,208)	(1,523,853)
Instructional Staff	1,976,565	2,062,108	(1,590,214)	(1,450,266)
Board of Education	139,135	163,313	(139,135)	(163,313)
Administration	2,696,124	2,675,869	(2,476,370)	(2,366,742)
Fiscal	766,784	809,387	(766,784)	(809,387)
Business	364,888	468,538	(359,024)	(428,036)
Operation and Maintenance of Plant	2,748,724	2,980,807	(2,748,724)	(2,980,807)
Pupil Transportation	1,234,973	1,109,116	(1,156,878)	(1,055,092)
Central	317,431	301,765	(295,092)	(270,140)
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	1,402,103	1,414,276	(53,372)	(79,493)
Community Services	175,177	234,441	(3,933)	(45,906)
Extracurricular Activities	922,217	974,580	(473,376)	(628,666)
Interest and Fiscal Charges	145,262	160,814	(145,262)	(160,814)
<b>Total</b>	<b>\$ 36,240,911</b>	<b>\$ 36,282,576</b>	<b>\$ (30,646,361)</b>	<b>\$ (30,426,137)</b>

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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Program revenues include charges for services, grants and contributions that are program specific. Property taxes made up 40 percent of total revenues for governmental activities for the School District in fiscal year 2010. Program revenues for governmental activities provided 16 percent of governmental revenues with 84 percent of all governmental activities supported through property taxes, grants and entitlements and other general revenues. The grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

***Governmental Funds***

Information about the School District's major fund starts on page 13. This fund is accounted for using the modified accrual basis of accounting.

All governmental funds had total revenues of \$35,511,884 and expenditures of \$36,227,931 for fiscal year 2010.

***General Fund***

The School District's general fund balance increased \$118,761 primarily due to decreased expenditures during fiscal year 2010.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2010, the School District did modify its general fund estimated resources and appropriations. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue, including other financing sources of \$29,943,030 was \$2,836,802 under the original budget estimate of \$32,779,832. The majority of this decrease is due to an overestimation of property taxes and intergovernmental revenue.

Final appropriations, including other financing uses of \$29,394,047 were \$1,913,539 lower than the \$31,307,586 in the original appropriations. This decrease is mainly attributable to a decrease in the appropriations for salaries and wages. Actual expenditures, including other financing uses, totaled \$29,388,528, which was lower than the final budget amount of \$29,394,047 by \$5,519.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2010, the School District had \$11,573,940 invested in land, buildings, equipment, vehicles and infrastructure. Table 4 shows fiscal year 2010 balances compared with 2009.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**  
**Governmental Activities**

	2010	2009
Land	\$ 757,979	\$ 757,979
Land Improvements	242,395	193,165
Buildings	8,140,208	8,202,074
Furniture, Fixtures and Equipment	1,512,230	1,553,183
Vehicles	921,128	891,228
<i>Totals</i>	\$ 11,573,940	\$ 11,597,629

The \$23,689 decrease in capital assets was attributable to current year depreciation exceeding capital asset additions. See Note 8 for additional information.

**Set-asides**

Senate Bill 345 requires the School District to set aside \$171.96 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2010, this amounted to \$583,488 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for both set asides.

**Debt**

At June 30, 2010, the School District had \$3,701,969 in bonds outstanding with \$215,014 due within one year. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt, at June 30**  
**Governmental Activities**

	2010	2009
H.B. 264 Energy Conservation Bonds	\$ 3,603,969	\$ 3,800,000
Land Purchase Loan	98,000	109,000
Certificates of Participation	0	495,000
Total	\$ 3,701,969	\$ 4,404,000

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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During fiscal year 1997, the School District issued Certificates of Participation in the amount of \$4,605,000 and simultaneously entered into a trust and lease agreement to make payments on the Certificates. The proceeds of this issue were used for the construction of additions to two existing elementary schools. In fiscal year 2002, a loan in the amount of \$178,000 was issued to purchase land that was intended to be used as the site of a new school building. During fiscal year 2009, the School District issued bonds in the amount of \$3,800,000 to perform various upgrades to the buildings throughout the School District. See Note 12 for additional information.

***Current Issues Affecting Financial Condition***

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In December 2003, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The Court directed the Governor and the legislature to address the fundamental issue creating the inequities.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of 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 any questions about this report or need additional financial information, contact Gina Deppert, Treasurer of Ashland City School District, 416 Arthur Street, Ashland, OH 44805.



**Ashland City School District**

*Statement of Net Assets*

*June 30, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 10,897,422
Cash and Cash Equivalents in Segregated Accounts	3,000
Investments in Segregated Accounts	168,826
Receivables:	
Taxes	14,984,992
Accounts	97,888
Intergovernmental	277,056
Nondepreciable Capital Assets	757,979
Depreciable Capital Assets (Net)	<u>10,815,961</u>
<i>Total Assets</i>	<u>38,003,124</u>
<b>Liabilities</b>	
Accounts Payable	65,933
Accrued Wages and Benefits	3,728,236
Accrued Interest Payable	52,558
Intergovernmental Payable	966,535
Deferred Revenue	10,610,708
Claims Payable	552,068
Long Term Liabilities:	
Due Within One Year	484,543
Due In More Than One Year	<u>5,709,854</u>
<i>Total Liabilities</i>	<u>22,170,435</u>
<b>Net Assets</b>	
Invested in Capital Assets, net of Related Debt	7,871,971
Restricted for:	
Capital Outlay	192,182
Debt Service	7,325
Permanent Fund Purpose - Scholarships	
Nonexpendable	168,826
Expendable	27,290
Other Purposes	38,823
Unrestricted	<u>7,526,272</u>
<i>Total Net Assets</i>	<u>\$ 15,832,689</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 14,111,939	\$ 951,455	\$ 232,285	\$ (12,928,199)
Special	4,813,709	119,950	1,425,546	(3,268,213)
Vocational	932,942	0	124,384	(808,558)
Student Intervention Services	37,955	0	0	(37,955)
Other	1,799,064	0	0	(1,799,064)
Support Services:				
Pupils	1,655,919	0	59,711	(1,596,208)
Instructional Staff	1,976,565	0	386,351	(1,590,214)
Board of Education	139,135	0	0	(139,135)
Administration	2,696,124	0	219,754	(2,476,370)
Fiscal	766,784	0	0	(766,784)
Business	364,888	0	5,864	(359,024)
Operation and Maintenance of Plant	2,748,724	0	0	(2,748,724)
Pupil Transportation	1,234,973	35,793	42,302	(1,156,878)
Central	317,431	0	22,339	(295,092)
Operation of Non-Instructional Services:				
Food Service Operations	1,402,103	559,490	789,241	(53,372)
Community Services	175,177	0	171,244	(3,933)
Extracurricular Activities	922,217	440,649	8,192	(473,376)
Interest and Fiscal Charges	145,262	0	0	(145,262)
<b>Total Governmental Activities</b>	<b>\$ 36,240,911</b>	<b>\$ 2,107,337</b>	<b>\$ 3,487,213</b>	<b>(30,646,361)</b>
 <b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				13,874,205
Capital Outlay				409,010
Grants and Entitlements not Restricted to Specific Programs				15,268,606
Payments in Lieu of Taxes				252,742
Investment Earnings				150,076
Miscellaneous				124,607
<b>Total General Revenues</b>				<b>30,079,246</b>
<b>Change in Net Assets</b>				<b>(567,115)</b>
<b>Net Assets Beginning of Year</b>				<b>16,399,804</b>
<b>Net Assets End of Year</b>				<b>\$ 15,832,689</b>

See accompanying notes to the basic financial statements.

**Ashland City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2010*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 8,360,015	\$ 977,214	\$ 9,337,229
Cash and Cash Equivalents in Segregated Accounts	0	3,000	3,000
Investments in Segregated Accounts	0	168,826	168,826
Receivables:			
Taxes	14,556,741	428,251	14,984,992
Accounts	86,859	7,977	94,836
Interfund	9,363	0	9,363
Intergovernmental	66,315	210,741	277,056
<i>Total Assets</i>	<u>\$ 23,079,293</u>	<u>\$ 1,796,009</u>	<u>\$ 24,875,302</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 45,530	\$ 20,403	\$ 65,933
Accrued Wages and Benefits	3,325,505	400,966	3,726,471
Interfund Payable	0	9,363	9,363
Intergovernmental Payable	839,158	124,354	963,512
Deferred Revenue	10,937,832	732,741	11,670,573
<i>Total Liabilities</i>	<u>15,148,025</u>	<u>1,287,827</u>	<u>16,435,852</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	153,560	67,381	220,941
Reserved for Endowments	0	168,826	168,826
Reserved for Property Taxes	3,764,072	110,737	3,874,809
Unreserved, Undesignated, Reported in:			
General Fund	4,013,636	0	4,013,636
Special Revenue Funds	0	15,646	15,646
Debt Service Fund	0	59,883	59,883
Capital Projects Funds	0	58,419	58,419
Permanent Funds	0	27,290	27,290
<i>Total Fund Balances</i>	<u>7,931,268</u>	<u>508,182</u>	<u>8,439,450</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 23,079,293</u>	<u>\$ 1,796,009</u>	<u>\$ 24,875,302</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2010*

<b>Total Governmental Fund Balances</b>		<b>\$ 8,439,450</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,573,940
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$ 785,386	
Tuition and Fees	78,848	
Intergovernmental	<u>195,631</u>	
Total		1,059,865
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,006,389
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(52,558)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Energy Conservation Bonds	(3,603,969)	
Loan Payable	(98,000)	
Compensated Absences	<u>(2,492,428)</u>	
Total		<u>(6,194,397)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 15,832,689</u></u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 13,778,626	\$ 406,195	\$ 14,184,821
Intergovernmental	14,704,503	4,026,470	18,730,973
Investment Income	140,185	9,939	150,124
Tuition and Fees	899,365	97,966	997,331
Extracurricular Activities	72,085	346,004	418,089
Rentals	19,354	0	19,354
Charges for Services	6,765	582,051	588,816
Contributions and Donations	1,575	43,452	45,027
Payments in Lieu of Taxes	252,742	0	252,742
Miscellaneous	114,355	10,252	124,607
<i>Total Revenues</i>	<u>29,989,555</u>	<u>5,522,329</u>	<u>35,511,884</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	12,976,743	818,707	13,795,450
Special	2,970,757	1,713,705	4,684,462
Vocational	908,909	0	908,909
Student Intervention Services	37,955	0	37,955
Other	1,708,251	115,008	1,823,259
Support Services:			
Pupils	1,548,114	66,875	1,614,989
Instructional Staff	1,393,323	525,567	1,918,890
Board of Education	148,295	0	148,295
Administration	2,289,778	292,896	2,582,674
Fiscal	748,195	7,495	755,690
Business	299,997	70,137	370,134
Operation and Maintenance of Plant	2,444,355	139,378	2,583,733
Pupil Transportation	1,043,365	184,883	1,228,248
Central	292,702	20,347	313,049
Operation of Non-Instructional Services:			
Food Service Operations	71,403	1,282,453	1,353,856
Community Services	0	172,167	172,167
Extracurricular Activities	639,084	271,550	910,634
Capital Outlay	39,970	135,415	175,385
Debt Service:			
Principal Retirement	243,098	458,933	702,031
Interest and Fiscal Charges	66,500	81,621	148,121
<i>Total Expenditures</i>	<u>29,870,794</u>	<u>6,357,137</u>	<u>36,227,931</u>
<i>Net Change in Fund Balance</i>	118,761	(834,808)	(716,047)
<i>Fund Balances Beginning of Year</i>	<u>7,812,507</u>	<u>1,342,990</u>	<u>9,155,497</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,931,268</u>	<u>\$ 508,182</u>	<u>\$ 8,439,450</u>

See accompanying notes to the basic financial statements.

**Ashland 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, 2010*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (716,047)

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

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

Capital Asset Additions	\$ 400,144	
Current Year Depreciation	<u>(411,353)</u>	(11,209)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(12,480)

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

Delinquent Property Taxes	98,394	
Tuition and Fees	55,501	
Grants	<u>52,910</u>	206,805

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

702,031

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

2,859

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(640,966)

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(98,108)

*Change in Net Assets of Governmental Activities*

\$ (567,115)

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Property and Other Local Taxes	\$ 14,047,309	\$ 13,625,048	\$ 13,625,048	\$ 0
Intergovernmental	16,891,615	14,704,503	14,704,503	0
Investment Income	139,451	121,500	121,395	(105)
Tuition and Fees	1,121,399	976,201	976,201	0
Extracurricular Activities	82,807	72,085	72,085	0
Rentals	24,091	20,972	20,972	0
Charges for Services	7,771	6,765	6,765	0
Contributions and Donations	1,809	1,575	1,575	0
Payments in Lieu of Taxes	252,742	252,742	252,742	0
Miscellaneous	145,298	96,099	93,760	(2,339)
<i>Total Revenues</i>	<u>32,714,292</u>	<u>29,877,490</u>	<u>29,875,046</u>	<u>(2,444)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,052,748	12,638,264	12,638,236	28
Special	3,126,188	2,932,590	2,932,590	0
Vocational	1,023,314	959,942	959,942	0
Student Intervention Services	40,461	37,955	37,955	0
Other	1,234,281	1,702,101	1,702,101	0
Support Services				
Pupils	1,609,767	1,510,078	1,510,078	0
Instructional Staff	1,473,699	1,387,927	1,382,436	5,491
Board of Education	183,494	172,131	172,131	0
Administration	2,358,889	2,212,808	2,212,808	0
Fiscal	774,946	726,955	726,955	0
Business	216,487	203,080	203,080	0
Operation and Maintenance of Plant	2,639,658	2,476,190	2,476,190	0
Pupil Transportation	1,146,748	1,075,732	1,075,732	0
Central	316,486	296,887	296,887	0
Operation of Non-Instructional Services				
Food Service	63,322	59,401	59,401	0
Extracurricular Activities	685,528	643,075	643,075	0
Capital Outlay	42,609	39,970	39,970	0
Debt Service:				
Principal Retirement	243,098	243,098	243,098	0
Interest and Fiscal Charges	66,500	66,500	66,500	0
<i>Total Expenditures</i>	<u>31,298,223</u>	<u>29,384,684</u>	<u>29,379,165</u>	<u>5,519</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,416,069</u>	<u>492,806</u>	<u>495,881</u>	<u>3,075</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	19,655	19,655	19,655	0
Advances In	45,885	45,885	45,885	0
Advances Out	(9,363)	(9,363)	(9,363)	0
<i>Total Other Financing Sources (Uses)</i>	<u>56,177</u>	<u>56,177</u>	<u>56,177</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,472,246	548,983	552,058	3,075
<i>Fund Balance Beginning of Year</i>	7,450,651	7,450,651	7,450,651	0
Prior Year Encumbrances Appropriated	151,503	151,503	151,503	0
<i>Fund Balance End of Year</i>	<u>\$ 9,074,400</u>	<u>\$ 8,151,137</u>	<u>\$ 8,154,212</u>	<u>\$ 3,075</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2010*

	Governmental Activities - Internal Service Fund
<b>Current Assets</b>	
Equity in Pooled Cash and Investments	\$ 1,560,193
Accounts Receivable	3,052
<i>Total Assets</i>	<i>1,563,245</i>
<b>Current Liabilities</b>	
Accrued Wages and Benefits	1,765
Intergovernmental Payable	3,023
Claims Payable	552,068
<i>Total Liabilities</i>	<i>556,856</i>
<b>Net Assets</b>	
Unrestricted	\$ 1,006,389

See accompanying notes to the basic financial statements.



**Ashland City School District**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2010*

	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenue</b>	
Charges for Services	\$ 4,637,041
Other	<u>57,308</u>
<i>Total Operating Revenues</i>	<u>4,694,349</u>
<b>Operating Expenses</b>	
Salaries	101,696
Fringe benefits	27,044
Purchased Services	580,582
Claims	4,623,057
Other	<u>5,171</u>
<i>Total Operating Expenses</i>	<u>5,337,550</u>
<i>Operating Loss</i>	<u>(643,201)</u>
<b>Non-Operating Revenue</b>	
Interest	<u>2,235</u>
<i>Change in Net Assets</i>	(640,966)
<i>Net Assets Beginning of Year</i>	<u>1,647,355</u>
<i>Net Assets End of Year</i>	<u><u>\$ 1,006,389</u></u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2010

	<u>Governmental Activities - Internal Service Fund</u>
<i>Decrease in Cash and Investments</i>	
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 4,633,989
Cash Received from Other Operating Sources	57,308
Cash Paid for Goods and Services	(580,582)
Cash Paid to Employees for Services	(101,243)
Cash Paid to Employees for Benefits	(25,408)
Cash Paid for Claims	(4,281,842)
Other Cash Payments	<u>(5,171)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(302,949)</u>
<b>Cash Flows From Investing Activities</b>	
Interest on Investments	<u>2,235</u>
<i>Net Decrease in Cash and Investments</i>	(300,714)
<i>Cash and Investments Beginning of Year</i>	<u>1,860,907</u>
<i>Cash and Investments End of Year</i>	<u><u>\$ 1,560,193</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	\$ (643,201)
Adjustments:	
Increase in Accounts Receivable	(3,052)
Increase (Decrease) in Liabilities:	
Accrued Wages and Benefits	619
Intergovernmental Payable	1,470
Claims Payable	<u>341,215</u>
<i>Total Adjustments</i>	<u>340,252</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (302,949)</u></u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2010*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 13,946	\$ 54,163
<b>Liabilities</b>		
Accounts Payable	\$ 0	\$ 307
Due to Students	0	53,856
<i>Total Liabilities</i>	0	\$ 54,163
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 13,946	

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 6,952
Investment Earnings	583
<i>Total Additions</i>	7,535
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	5,450
<i>Change in Net Assets</i>	2,085
<i>Net Assets Beginning of Year</i>	11,861
<i>Net Assets End of Year</i>	\$ 13,946

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 136 non-certificated employees and 271 certificated employees, which provides services to 3,566 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. This includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance 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 does not have any component units.

The School District is associated with the Tri-County Computer Service Association (TCCSA), which is defined as a jointly governed organization. A jointly governed organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 14.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and its internal service funds provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets 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 activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

***B. Fund Accounting***

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

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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

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

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

**Proprietary Funds** Proprietary funds focus on the determination of changes in net asset, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical and prescription benefits.

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

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in total net assets.

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and 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 revenue, and in the presentation of expenses versus expenditures.

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

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

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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



**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 2 - 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 governmental funds.

**E. 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, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

**F. Cash and Investments**

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 School District records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

During fiscal year 2010, investments were limited to STAROhio, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank notes, Federal National Mortgage Association notes, Federal Farm Credit Bank notes, a money market and stock certificates.

In previous fiscal years, the School District received donated stocks, which are reported in a permanent endowment fund as "Investments in Segregated Accounts." The stocks are carried at fair value and are not to be sold. The dividends are used for expenditures of this fund.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a4 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$140,185, which includes \$39,964 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 "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

**G. Capital Assets**

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The 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.

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	8 years
Buildings and Improvements	40 years
Furniture, Fixtures and Equipment	5-8 years
Vehicles	10 years

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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

***H. Interfund Balances***

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

***I. 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.

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

***J. Accrued Liabilities and Long-Term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and termination benefits 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, loans and capital leases are recognized as a liability on the fund financial statements when due.

***K. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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. At June 30, 2010, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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

***L. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves have been established for encumbrances, property taxes and endowments.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***M. Interfund Activity***

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

***N. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

***P. 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.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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

***Q. Changes in Accounting Principles***

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” and GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**Note 3 – Accountability**

Fund balances at June 30, 2010 included the following individual fund deficits:

<i>Non-major Special Revenue Funds</i>	
Food Service	\$ 129,791
Alternative School	1,245
IDEA, Part B	166,974
Title I	96,479
Title II-A	9,170

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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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 balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented on the budgetary basis for the general and major special revenue funds. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund:

**Net Change in Fund Balance**

	General
GAAP Basis	\$ 118,761
Net Adjustment for Revenue Accruals	(94,854)
Advances In	45,885
Net Adjustment for Expenditure Accruals	675,659
Advances Out	(9,363)
Adjustment for Encumbrances	(184,030)
Budget Basis	\$ 552,058

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 5 - Deposits and Investments**

State statute classifies monies held by the School District into three categories.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2010, the School District and public depositories complied with the provisions of these statutes.

***Deposits with Financial Institutions***

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

At fiscal year-end, the carrying amount of the School District's deposits was \$4,236,296 which includes \$3,050 of cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2010, \$2,021,376 of the School District's bank balance of \$4,461,715 was exposed to custodial risk as discussed above, while \$2,440,339 was covered by Federal Deposit Insurance Corporation.



**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2010

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

**Investments**

As of June 30, 2010, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities		
		6 Months or Less	19 to 24 Months	More than 24 Months
Federal Home Loan Mortgage Corporation	\$ 1,000,140	\$ 0	\$ 1,000,140	\$ 0
Federal National Mortgage Association	1,002,810	0	0	1,002,810
Federal Home Loan Bank	1,010,000	0	0	1,010,000
Federal Home Loan Bank	1,206,000	0	0	1,206,000
Federal Farm Credit Bank	507,815	0	0	507,815
Federal Farm Credit Bank	1,603,504	0	0	1,603,504
STAROhio	401,966	401,966	0	0
Total Investments	<u>\$ 6,732,235</u>	<u>\$ 401,966</u>	<u>\$ 1,000,140</u>	<u>\$ 5,330,129</u>

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

**Credit Risk.** The School District's investments in FHLMC, FNMA, FHLB and FFCB were rated AAA by Standard and Poor's. STAROhio has been given an AAA rating by Standard & Poor's.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in the State statute that prohibits payment for the investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by non-endowment funds of the School District at June 30, 2010:

Investment Type	Fair Value	Percent of Total
Federal Home Loan Mortgage Corporation	\$ 1,000,140	14.86%
Federal National Mortgage Association	1,002,810	14.90%
Federal Home Loan Bank	1,010,000	15.00%
Federal Home Loan Bank	1,206,000	17.91%
Federal Farm Credit Bank	507,815	7.54%
Federal Farm Credit Bank	1,603,504	23.82%
STAROhio	401,966	5.97%
	<u>\$ 6,732,235</u>	<u>100.00%</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2010

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

***Investments – Permanent Endowment Fund***

As of June 30, the School District’s permanent endowment fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Stocks:		
Alcatel - Lucent	\$ 460	0.27%
AT&T	94,414	55.91%
ComCast	12,925	7.66%
Exelon	7,594	4.50%
Fairpoint	1	0.00%
Idearc	9	0.01%
LSI Corp.	285	0.17%
NCR Corp.	1,247	0.74%
Qwest	3,045	1.80%
Teradata	3,066	1.82%
Verizon	30,960	18.34%
Vodafone	14,820	8.78%
Total	<u>\$ 168,826</u>	<u>100.00%</u>

These investments were donated in a prior year and the principal amount is non-expendable.

**Note 6 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District 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, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 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.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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

Tangible personal property tax revenues received during calendar 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Ashland and Richland Counties. The 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, 2010, are available to finance fiscal year 2010 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 real and tangible personal property which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and 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 revenue.

The amount available as an advance at June 30, 2010 was \$3,764,072 in the general fund and \$110,737 in the permanent improvement fund. The amount available as an advance at June 30, 2009, was \$3,610,494 in the general fund and \$106,199 in the permanent improvement fund.

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 453,575,790	93.53%	\$ 457,503,200	96.67%
Public Utility Personal	14,045,300	2.90%	14,614,440	3.09%
Tangible Personal Property	17,347,318	3.57%	1,117,740	0.24%
<b>Total Assessed Values</b>	<b>\$ 484,968,408</b>	<b>100.00%</b>	<b>\$ 473,235,380</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	 <u>\$ 62.25</u>		 <u>\$ 62.25</u>	

**Note 7 - Receivables**

Receivables at June 30, 2010, consisted of taxes, accounts (rent, student fees and tuition), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal Funds. All receivables are expected to be collected within one year.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2010

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance 06/30/2009	Additions	Deletions	Balance 06/30/2010
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated</i>				
Land	\$ 757,979	\$ 0	\$ 0	\$ 757,979
<i>Capital Assets being depreciated</i>				
Land Improvements	519,348	55,935	0	575,283
Buildings and Improvements	19,276,170	141,075	0	19,417,245
Furniture, Fixtures and Equipment	4,356,778	37,959	0	4,394,737
Vehicles	1,816,072	165,175	(124,800)	1,856,447
<i>Total Capital Assets Being Depreciated</i>	<u>25,968,368</u>	<u>400,144</u>	<u>(124,800)</u>	<u>26,243,712</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(326,183)	(6,705)	0	(332,888)
Buildings and Improvements	(11,074,096)	(202,941)	0	(11,277,037)
Furniture, Fixtures and Equipment	(2,803,595)	(78,912)	0	(2,882,507)
Vehicles	(924,844)	(122,795)	112,320	(935,319)
<i>Total Accumulated Depreciation</i>	<u>(15,128,718)</u>	<u>(411,353) *</u>	<u>112,320</u>	<u>(15,427,751)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>10,839,650</u>	<u>(11,209)</u>	<u>(12,480)</u>	<u>10,815,961</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 11,597,629</u>	<u>\$ (11,209)</u>	<u>\$ (12,480)</u>	<u>\$ 11,573,940</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 8 - Capital Assets (Continued)**

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

Instruction:	
Regular	\$ 89,334
Special	9,587
Vocational	1,232
Support Services:	
Instructional Staff	22,237
Administration	5,610
Fiscal	1,096
Business	551
Operation and Maintenance of Plant	120,069
Pupil Transportation	112,230
Operation of Non-Instructional Services:	
Food Service Operations	20,190
Community Services	970
Extracurricular Activities	28,247
<i>Total Depreciation</i>	<u><u>\$ 411,353</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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$552,068, reported in the fund at year end, was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$70,000 per employee.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2010

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

Changes in fund's claims liability for the fiscal years 2010 and 2009 are as follows:

	<u>Balance</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance</u> <u>End of Year</u>
2009	\$ 223,728	\$ 3,628,345	\$ 3,641,220	\$ 210,853
2010	\$ 210,853	\$ 4,623,057	\$ 4,281,842	\$ 552,068

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

**Note 10 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's contributions to SERS for the years ended June 30, 2010, 2009 and 2008 were \$514,062, \$364,196 and \$358,606, respectively; 42 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 10 - Defined Benefit Pension Plans (Continued)**

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website 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 member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. 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. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 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. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,984,446, \$2,140,156 and \$1,999,370, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$41,495 made by the School District and \$82,288 made by the plan members.



**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 10 - Defined Benefit Pension Plans (Continued)**

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security of the School Retirement System. As of June 30, 2010, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 11 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 401h. For 2010, 0.46 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 2010, this amount was \$35,800.

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, 2010, 2009, and 2008 were \$18,503, \$166,673, and \$215,377, respectively; 42 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, 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, 2010, 2009, and 2008 were \$30,570, \$30,049, and \$25,838, respectively; 42 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2010

**Note 11 - Postemployment Benefits (Continued)**

**B. State Teachers Retirement System**

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. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State Statute. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008 (the latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$152,650, \$164,627, and \$153,798, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Note 12 - Long-Term Obligations**

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
H.B. 264 Energy Conservation Bonds	3.50%	\$ 3,800,000	December 1, 2023
Certificates of Participation	2.30% to 3.00%	4,605,000	December 1, 2009
Land Purchase Loan	4.50% to 5.10%	178,000	July 1, 2017

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Outstanding 06/30/2009	Additions	Deductions	Outstanding 06/30/2010	Due Within One Year
<b>Governmental Activities</b>					
H.B. 264 Energy Conservation Bonds	\$ 3,800,000	\$ 0	\$ (196,031)	\$ 3,603,969	\$ 203,014
Certificates of Participation	495,000	0	(495,000)	0	0
Land Purchase Loan	109,000	0	(11,000)	98,000	12,000
Compensated Absences	2,394,320	366,138	(268,030)	2,492,428	269,529
<b>Total Governmental Activities</b>					
<b>Long-Term Obligations</b>	<b>\$ 6,798,320</b>	<b>\$ 366,138</b>	<b>\$ (970,061)</b>	<b>\$ 6,194,397</b>	<b>\$ 484,543</b>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2010

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**Note 12 - Long-Term Obligations (Continued)**

**House Bill 264 Energy Conservation Bonds** During 2009, the School District issued \$3,800,000 of bonds for the purpose performing various upgrades to the buildings throughout the School District. The repayment of this debt is from property tax revenue received in the general fund.

**Certificates of Participation** Certificates of Participation were issued during fiscal year 1997. Concurrently, the School District entered into a trust and lease agreement to make base rent payments for the face value of the Certificates. The agreements were for the School District to sublease additions to two existing elementary schools, which were constructed using the proceeds from the Certificates. The final payments on the capital lease were made in fiscal year 2010 using resources of the general and debt service funds.

The renewal of the lease and disbursement of rent payments are subject to appropriations made by the School District's Board from the general fund.

**Land Purchase Loan** During fiscal year 2003, the School District entered into a loan to purchase land adjacent to the high school for future expansion. The repayment is from the permanent improvement fund and subject to appropriations made by the School District's Board.

Compensated absences are typically paid from the fund from which the employee is paid. In prior years this has primarily been the general fund.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2010 are as follows:

Fiscal Year	Land Purchase Loan		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 12,000	\$ 5,064	\$ 203,014	\$ 122,586
2012	13,000	4,467	210,246	115,354
2013	13,000	3,824	217,736	107,864
2014	14,000	3,138	225,492	100,108
2015	15,000	2,397	233,525	92,075
2016-2020	31,000	2,618	1,298,498	329,504
2021-2024	0	0	1,215,458	86,942
Total	<u>\$ 98,000</u>	<u>\$ 21,508</u>	<u>\$ 3,603,969</u>	<u>\$ 954,433</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 13 – Interfund Balances**

Interfund Balances at June 30, 2010, consist of the following:

	Interfund Receivable	Interfund Payable
General	\$ 9,363	\$ 0
Misc. State Grants	0	4,337
Improving Teacher Quality	0	5,026
Total	\$ 9,363	\$ 9,363

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances are expected to be repaid during fiscal year 2011.

**Note 14 - Jointly Governed Organization**

Tri-County Computer Service Association (TCCSA) is a jointly governed organization comprised of 23 school districts, created as a regional council of governments pursuant to State statute. 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 for member districts. Each of the governments of these districts support TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each country from which participating districts are located. Financial information can be obtained by contacting the Treasurer of the Tri-County Education Service Center, located in Wooster, Ohio which serves as fiscal agent.

**Note 15 - Set-Asides**

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2010

**Note 15 - Set-Asides (Continued)**

The following cash basis information describes the change in the set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set-aside Reserved Balance as of June 30, 2009	\$ (1,070,186)	\$ 0
Current Year Set-aside Requirement	583,488	583,488
Current Year Offsets	0	(583,488)
Qualifying Disbursements	(343,703)	0
Totals	<u>\$ (830,401)</u>	<u>\$ 0</u>
Set-aside Balance Carried		
Forward to Future Fiscal Years	<u>\$ (830,401)</u>	<u>\$ 3,678,609</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$ 0</u>	<u>\$ 0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirements of future fiscal years. The School District had prior year capital expenditures from bond proceeds in connection with a House Bill 264 project that may be carried forward to offset future set-aside requirements..

**Note 16 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

**B. Litigation**

The School District is not party to any claims or lawsuits that would have a material effect on the basic financial statements.

**Note 17 – Subsequent Events**

On November 2, 2010, the voters of the School District passed a 1.25 mil renewal of the permanent improvement levy for a term of five years.



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## **INDEPENDENT AUDITOR'S 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**

December 23, 2010

To the Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Ashland City School District, Ashland County, Ohio, (the School District) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 23, 2010. We conducted our audit in accordance with 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Ashland City School District  
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*  
Page 2

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 grant 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*.

We noted certain matters that we reported to management of the School District in a separate letter dated December 23, 2010.

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

December 23, 2010

To the Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

### Compliance

We have audited the compliance of Ashland City School District, Ashland County, Ohio, (the School District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the 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, 2010.



Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*

**ASHLAND CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>				
<i>Title I Cluster</i>				
Title I - ARRA	84.389	2010	\$ 270,618	\$ 203,277
Title I Delinquent - ARRA	84.389	2010	12,793	8,933
Title I	84.010	2010	601,231	587,784
Title I	84.010	2009	0	90,226
Title I Delinquent	84.010	2010	19,747	19,747
Total Title I Cluster			904,389	909,967
<i>Special Education Cluster</i>				
IDEA-B	84.027	2009	0	82,009
IDEA-B	84.027	2010	772,434	758,460
IDEA-B - ARRA	84.392	2010	604,314	543,959
Total Special Education Cluster			1,376,748	1,384,428
Safe and Drug-Free Schools and Communities	84.186	2010	11,601	12,269
Total Safe and Drug-Free Schools and Communities			11,601	12,269
State Fiscal Stabilization Fund - ARRA	84.394	2010	659,264	659,264
Total State Fiscal Stabilization Fund			659,264	659,264
Title II-D	84.318	2010	5,824	5,318
Total Title II-D			5,824	5,318
Title II-A	84.367	2009	0	25,000
Title II-A	84.367	2010	155,126	173,706
Total Title II-A			155,126	198,706
Title V	84.298	2009	(118)	0
Total Title V			(118)	0
<b>Total U.S. Department of Education</b>			3,112,832	3,169,952
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>				
<i>Child Nutrition Cluster</i>				
Cash Assistance:				
School Breakfast Program	10.553	2010	152,226	152,226
Total School Breakfast Program			152,226	152,226
Non-Cash Assistance:				
National School Lunch Program	10.555	2010	68,170	68,170
Cash Assistance:				
National School Lunch Program	10.555	2010	622,211	622,211
Total National School Lunch Program			690,381	690,381
<i>Total Child Nutrition Cluster</i>			842,607	842,607
Cafeteria Equipment Assistance - ARRA	10.579	2010	6,710	6,710
<b>Total U.S. Department of Agriculture</b>			849,317	849,317
<b>Total Federal Financial Assistance</b>			\$ 3,962,149	\$ 4,019,269

See notes to the schedule of expenditures of federal awards.

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

**Note A – Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the District's federal awards programs. The Schedule has been prepared using the cash basis of accounting.

**Note B - Child Nutrition Cluster**

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**Note C – Food Donation Program**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

**Note D - Transfers**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2010, the ODE authorized the following transfers:

<u>CFDA #</u>	<u>Grant Title</u>	<u>Grant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I	2009	\$ 3,101	
84.010	Title I	2010		\$ 3,101
84.367	Title II-A: Improving Teacher Quality	2009	19,069	
84.367	Title II-A: Improving Teacher Quality	2010		19,069
84.186	Safe and Drug-Free Schools	2009	1,327	
84.186	Safe and Drug-Free Schools	2010		1,327
84.027	IDEA Part B	2009	103,024	
84.027	IDEA Part B	2010		103,024

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , SECTION .505  
FOR THE YEAR ENDED JUNE 30, 2010**

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

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	CFDA#s
	Special Education Cluster	84.027, 84.392
	Title I Cluster	84.010, 84.389
	State Fiscal Stabilization Fund	84.394
(d) (1) (viii)	Dollar Threshold: Type A/B	Type A: > \$300,000
	Programs	Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

None Noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None Noted

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain</b>
2009-01	<p>The exact amount of expenditures reported on the project cash requests can not be traced back to the District's financial records. Expenditures on several of the project cash requests exceeded actual expenditures posted to the IDEA Part B fund by material amounts. Encumbrances were not liquidated in a timely fashion, and as such, the IDEA Part B fund contained a material positive fund balance from January 2009 through June 30, 2009. Upon submission of the Final Expenditures Report in September 2009, it was reported that the District had received \$103,024 more than what the District recorded as expenditures paid out of the IDEA Part B fund.</p>	YES	



**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

December 23, 2010

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Ashland City School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on November 27, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B), unless otherwise specified:
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident; "Requirement was not included in the policy".
- (6) A procedure for documenting any prohibited incident that is reported; "Requirement was not included in the policy".
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, "Requirement was not included in the policy".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*

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# Dave Yost • Auditor of State

**ASHLAND CITY SCHOOL DISTRICT**

**ASHLAND 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  
FEBRUARY 24, 2011**