

**Ashland City School District**  
**Ashland County, Ohio**

*Audited Financial Statements*

*June 30, 2011*





# 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, 2010 through June 30, 2011. 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

March 6, 2012

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**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

**JUNE 30, 2011**

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**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

**JUNE 30, 2011**

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December 30, 2011

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 the Ashland City School District, Ashland County, Ohio, (the School District), as of and for the year ended June 30, 2011, 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, 2011, 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 30, 2011 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 opinions 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, 2011*

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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, 2011. 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 2011 are as follows:

- General Revenues accounted for \$30,522,482 in revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$6,795,224 or 18 percent of total revenues of \$37,317,706.
- Total program expenses were \$36,781,965.
- In total, net assets increased \$535,741, which represents a 3 percent increase from 2010.
- Outstanding debt decreased from \$3,701,969 to \$3,486,955 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 2011?" 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, 2011*

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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, 2011*

**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 2011 compared to 2010:

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

	2011	Restated 2010
<b>Assets</b>		
Current and Other Assets	\$ 26,880,690	\$ 26,224,892
Capital Assets	11,348,355	11,573,940
<i>Total Assets</i>	38,229,045	37,798,832
<b>Liabilities</b>		
Other Liabilities	16,060,734	15,976,038
Long-Term Liabilities	6,004,173	6,194,397
<i>Total Liabilities</i>	22,064,907	22,170,435
<b>Net Assets</b>		
Invested in Capital		
Assets, Net of Debt	7,861,400	7,871,971
Restricted	883,308	230,154
Unrestricted	7,419,430	7,526,272
<i>Total Net Assets</i>	\$ 16,164,138	\$ 15,628,397

Total assets increased by \$430,213 due to increases in taxes receivable and intergovernmental receivable. Total liabilities decreased \$105,528 primarily due to principal payments on debt.

**Ashland City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2011

Table 2 shows the changes in net assets for fiscal year 2011 and 2010.

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

	2011	2010*
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,062,046	\$ 2,107,337
Operating Grants, Contributions and Interest	4,733,178	3,487,213
<i>General Revenue:</i>		
Property Taxes	14,277,178	14,283,215
Grants and Entitlements	15,807,910	15,268,606
Payments in Lieu of Taxes	232,797	252,742
Investment Earnings	48,728	150,076
Miscellaneous	155,869	124,607
<i>Total Revenues</i>	37,317,706	35,673,796
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	15,689,163	14,876,402
Special	4,775,489	4,963,131
Vocational	947,226	932,942
Student Intervention Services	16	37,955
Other	866,663	885,179
<i>Support Services:</i>		
Pupils	1,846,168	1,655,919
Instructional Staff	1,852,201	1,976,565
Board of Education	111,861	139,135
Administration	2,542,423	2,696,124
Fiscal	761,257	766,784
Business	319,291	364,888
Operation and Maintenance of Plant	2,657,264	2,748,724
Pupil Transportation	1,260,962	1,234,973
Central	334,254	317,431
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,537,440	1,402,103
Community Services	187,628	175,177
Extracurricular Activities	968,034	922,217
Interest and Fiscal Charges	124,625	145,262
<i>Total Expenses</i>	36,781,965	36,240,911
<i>Change in Net Assets</i>	\$ 535,741	\$ (567,115)

The increase of \$1,245,965 in operating grants is due to the School District receiving additional federal grants during the year.

\*This excludes the activities of funds reported in the special revenue fund with the implementation of GASB 54 (See note 3). The amount was not significant and would not impact the analysis.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

**Governmental Activities**

The vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$30,079,246 in fiscal year 2010 to \$30,522,482 in fiscal year 2011. The primary source of this increase was an increase in grants and entitlements.

A review of Table 2 shows the total cost of instructional services was \$22,278,557 or 61 percent of governmental program expenses. Instructional expenses increased \$582,948 from fiscal year 2010 to 2011 from rate increases per negotiated agreements. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil.

The expense for support services total \$11,685,681 or 32 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 2011 and 2010. 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**

	2011	2010*	2011	2010*
	<u>Total Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Net Cost of Service</u>
Instruction:				
Regular	\$ 15,689,163	\$ 14,876,402	\$ (14,255,131)	\$ (13,692,662)
Special	4,775,489	4,963,131	(3,132,300)	(3,417,635)
Vocational	947,226	932,942	(821,909)	(808,558)
Student Intervention Services	16	37,955	(16)	(37,955)
Other	866,663	885,179	(866,663)	(885,179)
Support Services:				
Pupils	1,846,168	1,655,919	(1,565,354)	(1,596,208)
Instructional Staff	1,852,201	1,976,565	(1,040,838)	(1,590,214)
Board of Education	111,861	139,135	(111,861)	(139,135)
Administration	2,542,423	2,696,124	(2,145,164)	(2,476,370)
Fiscal	761,257	766,784	(761,257)	(766,784)
Business	319,291	364,888	(291,561)	(359,024)
Operation and Maintenance of Plant	2,657,264	2,748,724	(2,657,264)	(2,748,724)
Pupil Transportation	1,260,962	1,234,973	(1,227,383)	(1,156,878)
Central	334,254	317,431	(320,329)	(295,092)
Operation of Non-Instructional Services:				
Food Service Operations	1,537,440	1,402,103	(74,775)	(53,372)
Community Services	187,628	175,177	(3,733)	(3,933)
Extracurricular Activities	968,034	922,217	(586,578)	(473,376)
Interest and Fiscal Charges	124,625	145,262	(124,625)	(145,262)
<b>Total</b>	<b>\$ 36,781,965</b>	<b>\$ 36,240,911</b>	<b>\$ (29,986,741)</b>	<b>\$ (30,646,361)</b>

\*This excludes the activities of funds reported in the special revenue fund with the implementation of GASB 54 (See note 3). The amount was not significant and would not impact the analysis.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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Program revenues include charges for services, grants and contributions that are program specific. Property taxes made up 38 percent of total revenues for governmental activities for the School District in fiscal year 2011. Program revenues for governmental activities provided 18 percent of governmental revenues with 82 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, including other financing sources of \$36,951,659 and expenditures of \$36,574,070 for fiscal year 2011.

***General Fund***

The School District's general fund balance increased \$39,747 during fiscal year 2011.

***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 2011, 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 \$30,477,706 was \$1,059,497 under the original budget estimate of \$31,537,203. The majority of this decrease is due to an overestimation of property taxes and intergovernmental revenue. Actual revenue, including other financing sources, of \$30,469,537 was \$8,169 under the final budget.

Final appropriations, including other financing uses, of \$31,473,383 were \$506,246 higher than the \$30,967,137 in the original appropriations. This increase is mainly attributable to an increase in other instruction expenditures. Actual expenditures, including other financing uses, totaled \$30,627,599, which was lower than the final budget amount of \$31,473,383 by \$845,784 primarily due to an overestimation of other instruction expenditures.

**Ashland City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2011

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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2011, the School District had \$11,348,355 invested in land, land improvements buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared with 2010.

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

	2011	2010
Land	\$ 757,979	\$ 757,979
Land Improvements	235,618	242,395
Buildings and Improvements	7,978,536	8,140,208
Furniture, Fixtures and Equipment	1,473,335	1,512,230
Vehicles	902,887	921,128
<i>Totals</i>	\$ 11,348,355	\$ 11,573,940

The \$225,585 decrease in capital assets was attributable to current year depreciation and deletions exceeding capital asset additions. See Note 9 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 2011, this amounted to \$511,091 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for both set asides.

**Debt**

At June 30, 2011, the School District had \$3,486,955 in bonds and loans outstanding with \$223,246 due within one year. Table 5 summarizes bonds outstanding.

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

	2011	2010
H.B. 264 Energy Conservation Bonds	\$ 3,400,955	\$ 3,603,969
Land Purchase Loan	86,000	98,000
Total	\$ 3,486,955	\$ 3,701,969

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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In fiscal year 2003, 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 13 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, 2011*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 11,005,048
Cash and Cash Equivalents in Segregated Accounts	2,245
Receivables:	
Taxes	15,215,595
Accounts	110,905
Intergovernmental	546,897
Nondepreciable Capital Assets	757,979
Depreciable Capital Assets (Net)	10,590,376
<i>Total Assets</i>	38,229,045
<b>Liabilities</b>	
Accounts Payable	89,921
Accrued Wages and Benefits	3,678,050
Accrued Interest Payable	49,598
Intergovernmental Payable	1,050,610
Deferred Revenue	10,500,536
Claims Payable	692,019
Long Term Liabilities:	
Due Within One Year	554,089
Due In More Than One Year	5,450,084
<i>Total Liabilities</i>	22,064,907
<b>Net Assets</b>	
Invested in Capital Assets, net of Related Debt	7,861,400
Restricted for:	
Capital Outlay	238,649
Debt Service	10,285
Other Purposes	634,374
Unrestricted	7,419,430
<i>Total Net Assets</i>	\$ 16,164,138

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 15,689,163	\$ 884,218	\$ 549,814	\$ (14,255,131)
Special	4,775,489	43,975	1,599,214	(3,132,300)
Vocational	947,226	0	125,317	(821,909)
Student Intervention Services	16	0	0	(16)
Other	866,663	0	0	(866,663)
Support Services:				
Pupils	1,846,168	0	280,814	(1,565,354)
Instructional Staff	1,852,201	0	811,363	(1,040,838)
Board of Education	111,861	0	0	(111,861)
Administration	2,542,423	111,725	285,534	(2,145,164)
Fiscal	761,257	0	0	(761,257)
Business	319,291	27,730	0	(291,561)
Operation and Maintenance of Plant	2,657,264	0	0	(2,657,264)
Pupil Transportation	1,260,962	33,579	0	(1,227,383)
Central	334,254	0	13,925	(320,329)
Operation of Non-Instructional Services:				
Food Service Operations	1,537,440	579,363	883,302	(74,775)
Community Services	187,628	0	183,895	(3,733)
Extracurricular Activities	968,034	381,456	0	(586,578)
Interest and Fiscal Charges	124,625	0	0	(124,625)
<b>Total Governmental Activities</b>	<b>\$ 36,781,965</b>	<b>\$ 2,062,046</b>	<b>\$ 4,733,178</b>	<b>(29,986,741)</b>
 <b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				13,866,126
Capital Outlay				411,052
Grants and Entitlements not Restricted to Specific Programs				15,807,910
Payments in Lieu of Taxes				232,797
Investment Earnings				48,728
Miscellaneous				155,869
<b>Total General Revenues</b>				<b>30,522,482</b>
<i>Change in Net Assets</i>				535,741
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>				15,628,397
<i>Net Assets End of Year</i>				<b>\$ 16,164,138</b>

See accompanying notes to the basic financial statements.

**Ashland City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 8,547,966	\$ 901,956	\$ 9,449,922
Cash and Cash Equivalents in Segregated Accounts	0	2,245	2,245
Receivables:			
Taxes	14,780,601	434,994	15,215,595
Accounts	110,905	0	110,905
Interfund	3,489	0	3,489
Intergovernmental	0	546,897	546,897
<i>Total Assets</i>	<u>\$ 23,442,961</u>	<u>\$ 1,886,092</u>	<u>\$ 25,329,053</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 52,737	\$ 37,184	\$ 89,921
Accrued Wages and Benefits	3,237,923	439,592	3,677,515
Interfund Payable	0	3,489	3,489
Intergovernmental Payable	921,565	126,481	1,048,046
Deferred Revenue	11,088,460	808,875	11,897,335
<i>Total Liabilities</i>	<u>15,300,685</u>	<u>1,415,621</u>	<u>16,716,306</u>
<b>Fund Balances</b>			
Nonspendable	10,248	0	10,248
Restricted	0	653,959	653,959
Assigned	182,554	0	182,554
Unassigned	7,949,474	(183,488)	7,765,986
<i>Total Fund Balances</i>	<u>8,142,276</u>	<u>470,471</u>	<u>8,612,747</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 23,442,961</u>	<u>\$ 1,886,092</u>	<u>\$ 25,329,053</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, 2011*

<b>Total Governmental Fund Balances</b>		\$ 8,612,747
 <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.		11,348,355
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$ 914,258	
Intergovernmental	482,541	
Total		1,396,799
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.		860,008
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(49,598)
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	(3,400,955)	
Loan Payable	(86,000)	
Compensated Absences	(2,517,218)	
Total		<u>(6,004,173)</u>
<i>Net Assets of Governmental Activities</i>		<u>\$ 16,164,138</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, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 13,740,946	\$ 407,360	\$ 14,148,306
Intergovernmental	15,007,938	5,164,050	20,171,988
Investment Income	48,728	0	48,728
Tuition and Fees	1,064,751	0	1,064,751
Extracurricular Activities	183,545	259,747	443,292
Rentals	13,967	0	13,967
Charges for Services	26,025	579,362	605,387
Contributions and Donations	36,038	14,680	50,718
Payments in Lieu of Taxes	232,797	0	232,797
Miscellaneous	155,945	0	155,945
<i>Total Revenues</i>	<u>30,510,680</u>	<u>6,425,199</u>	<u>36,935,879</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	14,237,580	1,252,562	15,490,142
Special	3,469,999	1,302,221	4,772,220
Vocational	960,297	0	960,297
Student Intervention Services	16	0	16
Other	796,151	70,512	866,663
Support Services:			
Pupils	1,589,768	236,849	1,826,617
Instructional Staff	1,208,320	645,104	1,853,424
Board of Education	111,658	0	111,658
Administration	2,255,518	249,644	2,505,162
Fiscal	740,937	7,961	748,898
Business	319,150	0	319,150
Operation and Maintenance of Plant	2,403,402	11,959	2,415,361
Pupil Transportation	1,120,241	134,365	1,254,606
Central	267,780	74,140	341,920
Operation of Non-Instructional Services:			
Food Service Operations	57,664	1,443,123	1,500,787
Community Services	0	188,019	188,019
Extracurricular Activities	685,701	250,360	936,061
Capital Outlay	0	140,470	140,470
Debt Service:			
Principal Retirement	203,014	12,000	215,014
Interest and Fiscal Charges	59,517	68,068	127,585
<i>Total Expenditures</i>	<u>30,486,713</u>	<u>6,087,357</u>	<u>36,574,070</u>
<i>Excess of Revenues Over Expenditures</i>	<u>23,967</u>	<u>337,842</u>	<u>361,809</u>
<b>Other Financing Source</b>			
Proceeds from Sales of Capital Assets	15,780	0	15,780
<i>Net Change in Fund Balance</i>	39,747	337,842	377,589
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>8,102,529</u>	<u>132,629</u>	<u>8,235,158</u>
<i>Fund Balances End of Year</i>	<u>\$ 8,142,276</u>	<u>\$ 470,471</u>	<u>\$ 8,612,747</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, 2011*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	377,589
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 262,528	
Current Year Depreciation	<u>(443,420)</u>	(180,892)
 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.		
		(44,693)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	128,872	
Tuition and Fees	(78,848)	
Grants	<u>286,910</u>	336,934
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		215,014
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.		
		2,960
 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.		
		(146,381)
 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.		
		<u>(24,790)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u><u>535,741</u></u>

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, 2011*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 14,119,783	\$ 13,812,877	\$ 13,812,877	\$ 0
Intergovernmental	15,699,920	15,000,938	15,007,938	7,000
Investment Income	112,318	92,532	107,368	14,836
Tuition and Fees	949,327	907,485	907,485	0
Extracurricular Activities	77,349	73,940	73,940	0
Rentals	12,749	12,187	12,187	0
Charges for Services	7,608	7,273	7,273	0
Contributions and Donations	1,857	1,775	1,775	0
Payments in Lieu of Taxes	243,531	232,797	232,797	0
Miscellaneous	131,056	154,197	124,192	(30,005)
<i>Total Revenues</i>	<u>31,355,498</u>	<u>30,296,001</u>	<u>30,287,832</u>	<u>(8,169)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,236,734	14,163,827	14,087,187	76,640
Special	3,428,940	3,393,185	3,392,691	494
Vocational	987,861	976,928	976,898	30
Student Intervention Services	16	16	16	0
Other	865,800	1,394,091	845,942	548,149
Support Services				
Pupils	1,616,266	1,598,329	1,598,329	0
Instructional Staff	1,233,377	1,241,209	1,219,690	21,519
Board of Education	122,770	143,239	121,408	21,831
Administration	2,239,869	2,219,868	2,215,012	4,856
Fiscal	775,539	768,568	766,932	1,636
Business	311,533	370,791	308,076	62,715
Operation and Maintenance of Plant	2,547,214	2,603,090	2,518,946	84,144
Pupil Transportation	1,149,174	1,136,490	1,136,421	69
Central	286,218	304,046	283,042	21,004
Operation of Non-Instructional Services				
Food Service	57,830	57,188	57,188	0
Extracurricular Activities	676,495	671,685	668,988	2,697
Capital Outlay	668	0	0	0
Debt Service:				
Principal Retirement	203,014	203,014	203,014	0
Interest and Fiscal Charges	59,517	59,517	59,517	0
<i>Total Expenditures</i>	<u>30,798,835</u>	<u>31,305,081</u>	<u>30,459,297</u>	<u>845,784</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>556,663</u>	<u>(1,009,080)</u>	<u>(171,465)</u>	<u>837,615</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	15,780	15,780	15,780	0
Refund of Prior Year Expenditures	19,382	19,382	19,382	0
Advances In	146,543	146,543	146,543	0
Advances Out	(140,669)	(140,669)	(140,669)	0
Transfers Out	(27,633)	(27,633)	(27,633)	0
<i>Total Other Financing Sources (Uses)</i>	<u>13,403</u>	<u>13,403</u>	<u>13,403</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	570,066	(995,677)	(158,062)	837,615
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	8,145,052	8,145,052	8,145,052	0
Prior Year Encumbrances Appropriated	184,030	184,030	184,030	0
<i>Fund Balance End of Year</i>	<u>\$ 8,899,148</u>	<u>\$ 7,333,405</u>	<u>\$ 8,171,020</u>	<u>\$ 837,615</u>

**Ashland City School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2011*

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	Governmental Activities - Internal Service Fund
<b>Current Assets</b>	
Equity in Pooled Cash and Investments	<u>\$ 1,555,126</u>
<b>Current Liabilities</b>	
Accrued Wages and Benefits	535
Intergovernmental Payable	2,564
Claims Payable	<u>692,019</u>
<i>Total Liabilities</i>	<u>695,118</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 860,008</u></u>

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, 2011*

	Governmental Activities - Internal Service Fund
<b>Operating Revenue</b>	
Charges for Services	\$ 5,342,284
Other	71,834
<i>Total Operating Revenues</i>	5,414,118
<b>Operating Expenses</b>	
Salaries	108,311
Fringe benefits	24,540
Purchased Services	592,414
Claims	4,831,836
Other	5,010
<i>Total Operating Expenses</i>	5,562,111
<i>Operating Loss</i>	(147,993)
<b>Non-Operating Revenue</b>	
Interest	1,612
<i>Change in Net Assets</i>	(146,381)
<i>Net Assets Beginning of Year</i>	1,006,389
<i>Net Assets End of Year</i>	\$ 860,008

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, 2011

	Governmental Activities - Internal Service Fund
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<i>Decrease in Cash and Investments</i>	
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 5,345,336
Cash Received from Other Operating Sources	71,834
Cash Paid for Goods and Services	(592,414)
Cash Paid to Employees for Services	(108,764)
Cash Paid to Employees for Benefits	(25,776)
Cash Paid for Claims	(4,691,885)
Other Cash Payments	(5,010)
	<hr/>
<i>Net Cash Used for Operating Activities</i>	(6,679)
	<hr/>
<b>Cash Flows From Investing Activities</b>	
Interest on Investments	1,612
	<hr/>
<i>Net Decrease in Cash and Investments</i>	(5,067)
<i>Cash and Investments Beginning of Year</i>	1,560,193
	<hr/>
<i>Cash and Investments End of Year</i>	\$ 1,555,126
	<hr/> <hr/>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	\$ (147,993)
Adjustments:	
Decrease in Accounts Receivable	3,052
Increase (Decrease) in Liabilities:	
Accrued Wages and Benefits	(1,230)
Intergovernmental Payable	(459)
Claims Payable	139,951
	<hr/>
<i>Total Adjustments</i>	141,314
	<hr/>
<i>Net Cash Used for Operating Activities</i>	\$ (6,679)
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 52,019	\$ 58,331
Investments in Segregated Accounts	229,201	0
<i>Total Assets</i>	<u>281,220</u>	<u>\$ 58,331</u>
<b>Liabilities</b>		
Accounts Payable	0	\$ 950
Due to Students	0	57,381
<i>Total Liabilities</i>	<u>0</u>	<u>\$ 58,331</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$ 281,220</u>	

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Funds*  
*For the Fiscal Year Ended June 30, 2011*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 7,155
Investment Earnings	71,335
	78,490
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	15,508
	62,982
<i>Change in Net Assets</i>	<i>62,982</i>
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<i>218,238</i>
	<i>281,220</i>
<i>Net Assets End of Year</i>	<i>\$ 281,220</i>
	<i>281,220</i>

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, 2011*

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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 144 non-certificated employees and 272 certificated employees, which provides services to 3,534 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 16.

**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, 2011*

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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, 2011*

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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 to which the District is bound to observe constraints imposed upon the use of the resources.

**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, 2011*

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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.

Private Purpose Trust funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements. Agency funds do not report a measurement focus as they do no report operations.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements 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 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 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.

**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 2011, 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.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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

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.

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, 2011.

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 2011 amounted to \$48,728, which includes \$12,080 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, 2011*

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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, 2011, 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, 2011*

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

***L. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

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

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

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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

***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 2011.

***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.

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

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 3 – Restatement of Fund Balance and Net Assets**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions.*” These fund reclassifications had the following effect on the School District’ governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund Balance Previously Reported at June 30, 2010	\$ 7,931,268	\$ 508,182	\$ 8,439,450
Fund Reclassification:			
Faculty Lounge Fund	127	(127)	0
Private Purpose Trust Funds	0	(204,292)	(204,292)
Uniform School Supplies Fund	11,258	(11,258)	0
Adult Education	366	(366)	0
Rotary Fund	50,800	(50,800)	0
Public School Support Fund	108,710	(108,710)	0
Restated Fund Balance at July 1, 2010	<u>\$ 8,102,529</u>	<u>\$ 132,629</u>	<u>\$ 8,235,158</u>

The fund reclassifications had the following effect on net assets previously reported.

	<u>Governmental Activities</u>	<u>Private Purpose Trust Funds</u>
Net Assets Previously Reported at June 30, 2010	\$ 15,832,689	\$ 13,946
Fund Reclassification:		
Private Purpose Trust Funds	(204,292)	204,292
Restated Net Assets at July 1, 2010	<u>\$ 15,628,397</u>	<u>\$ 218,238</u>

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. Pursuant to GASB Statement No. 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund’s budgetary basis fund balance at June 30, 2010 is as follows:

	<u>General Fund</u>
Balance at June 30, 2010	\$ 8,154,212
Funds Budgeted Elsewhere	(9,160)
Restated Balance at July 1, 2010	<u>\$ 8,145,052</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 4 – Accountability**

Fund balances at June 30, 2011 included the following individual fund deficits:

<i>Non-major Special Revenue Funds</i>	
Food Service	\$ 115,614
Alternative School	3,558
Education Jobs	3,703
Title I	53,500
Title II-A	7,113

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.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (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).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

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**Note 5 - Budgetary Basis of Accounting (Continued)**

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:

	General
GAAP Basis	\$ 39,747
Net Adjustment for Revenue Accruals	37,212
Advances In	146,543
Net Adjustment for Expenditure Accruals	(114,120)
Advances Out	(27,633)
Funds Budgeted Elsewhere **	(21,148)
Adjustment for Encumbrances	(218,663)
Budget Basis	\$ (158,062)

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting*,” certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes faculty lounge, uniform school supplies, adult education, rotary, public school support and unclaimed monies funds.

**Note 6 - 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;

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 6 - Deposits and Investments (Continued)**

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.

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 2011, the School District and public depositories complied with the provisions of these statutes.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 6 - Deposits and Investments (Continued)**

***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 \$3,788,291 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, 2011, none of the School District's bank balance of \$3,793,425 was exposed to custodial risk as discussed above, while the entire bank balance was covered by Federal Deposit Insurance Corporation.

***Investments***

As of June 30, 2011, 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	\$ 1,493,625	\$ 0	\$ 0	\$ 1,493,625
Federal National Mortgage Association	601,446	0	0	601,446
Federal Home Loan Bank	3,769,518	0	0	3,769,518
Federal Farm Credit Bank	801,232	0	0	801,232
STAROhio	663,531	663,531	0	0
Total Investments	\$ 7,329,352	\$ 663,531	\$ 0	\$ 6,665,821

***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.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 6 - Deposits and Investments (Continued)**

**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, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal Home Loan Mortgage Corporation	\$ 1,493,625	20.38%
Federal National Mortgage Association	601,446	8.21%
Federal Home Loan Bank	3,769,518	51.43%
Federal Farm Credit Bank	801,232	10.93%
STAROhio	663,531	9.05%
	<u>\$ 7,329,352</u>	<u>100.00%</u>

**Investments – Permanent Endowment Fund**

As of June 30, 2011, 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	\$ 1,045	0.46%
AT&T	124,761	54.44%
CenturyLink, Inc.	3,881	1.69%
ComCast	18,954	8.27%
Exelon	8,568	3.74%
Fairpoint	193	0.08%
LSI Corp.	442	0.19%
NCR Corp.	1,943	0.85%
Teradata	6,193	2.70%
Verizon	41,884	18.27%
Frontier	2,179	0.95%
Vodafone	19,158	8.36%
Total	<u>\$ 229,201</u>	<u>100.00%</u>

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 7 - 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 2011 represents collections of calendar 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 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.

Tangible personal property tax revenues received during calendar 2011 (other than public utility property) represent the collection of calendar year 2011 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 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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 2010, and the tax on telephone and telecommunications property was 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 7 - Property Taxes (Continued)**

Accrued property taxes receivable includes real property and public utility real and tangible personal property which are measurable as of June 30, 2011 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, 2011 was \$3,692,141 in the general fund and \$108,660 in the permanent improvement fund. 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.

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.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 457,503,200	96.67%	\$ 458,725,710	96.69%
Public Utility Personal	14,614,440	3.09%	15,200,120	3.20%
Tangible Personal Property	1,117,740	0.24%	539,230	0.11%
Total Assessed Values	<u>\$ 473,235,380</u>	<u>100.00%</u>	<u>\$ 474,465,060</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 62.25</u>		<u>\$ 62.25</u>	

**Note 8 - Receivables**

Receivables at June 30, 2011, 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, 2011

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance 06/30/2010	Additions	Deletions	Balance 06/30/2011
<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	575,283	0	0	575,283
Buildings and Improvements	19,417,245	43,751	0	19,460,996
Furniture, Fixtures and Equipment	4,394,737	79,397	(237,985)	4,236,149
Vehicles	1,856,447	139,380	(208,942)	1,786,885
<i>Total Capital Assets Being Depreciated</i>	<u>26,243,712</u>	<u>262,528</u>	<u>(446,927)</u>	<u>26,059,313</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(332,888)	(6,777)	0	(339,665)
Buildings and Improvements	(11,277,037)	(205,423)	0	(11,482,460)
Furniture, Fixtures and Equipment	(2,882,507)	(94,493)	214,186	(2,762,814)
Vehicles	(935,319)	(136,727)	188,048	(883,998)
<i>Total Accumulated Depreciation</i>	<u>(15,427,751)</u>	<u>(443,420) *</u>	<u>402,234</u>	<u>(15,468,937)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>10,815,961</u>	<u>(180,892)</u>	<u>(44,693)</u>	<u>10,590,376</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 11,573,940</u>	<u>\$ (180,892)</u>	<u>\$ (44,693)</u>	<u>\$ 11,348,355</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 9 - Capital Assets (Continued)**

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

Instruction:	
Regular	\$ 105,180
Special	10,721
Vocational	3,388
Support Services:	
Instructional Staff	5,453
Administration	6,035
Business	734
Operation and Maintenance of Plant	132,233
Pupil Transportation	124,192
Central	183
Operation of Non-Instructional Services:	
Food Service Operations	26,084
Community Services	970
Extracurricular Activities	28,247
<i>Total Depreciation</i>	<u><u>\$ 443,420</u></u>

**Note 10 - 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 \$692,019, 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, 2011*

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**Note 10 - Risk Management (Continued)**

Changes in fund's claims liability for the fiscal years 2011 and 2010 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>
2010	\$ 210,853	\$ 4,623,057	\$ 4,281,842	\$ 552,068
2011	\$ 552,068	\$ 4,831,836	\$ 4,691,885	\$ 692,019

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 11 - 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 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. 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, 2011, 2010 and 2009 were \$515,994, \$514,062 and \$364,196, respectively; 35 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 11 - 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, 2011, 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 2010, 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, 2011, 2010 and 2009 were \$2,117,960, \$1,984,446 and \$2,140,156, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$109,058 made by the School District and \$77,898 made by the plan members.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 11 - 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, 2011, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 12 - 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 2011, 1.43 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 2011, 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, 2011, 2010, and 2009 were \$52,705, \$18,503, and \$166,673, respectively; 35 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, 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, 2011, 2010, and 2009 were \$28,011, \$30,570, and \$30,049, respectively; 35 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 12 - 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 2011, 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, 2011, 2010, and 2009 were \$151,283, \$152,650, and \$164,627, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Note 13 - 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
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 2011 were as follows:

	Principal Outstanding 06/30/2010	Additions	Deductions	Principal Outstanding 06/30/2011	Amounts Due Within One Year
<b>Governmental Activities</b>					
H.B. 264 Energy Conservation Bonds	\$ 3,603,969	\$ 0	\$ (203,014)	\$ 3,400,955	\$ 210,246
Land Purchase Loan	98,000	0	(12,000)	86,000	13,000
Compensated Absences	2,492,428	278,274	(253,484)	2,517,218	330,843
<i>Total Governmental Activities</i>					
<i>Long-Term Obligations</i>	<u>\$ 6,194,397</u>	<u>\$ 278,274</u>	<u>\$ (468,498)</u>	<u>\$ 6,004,173</u>	<u>\$ 554,089</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

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**Note 13 - 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.

**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, 2011 are as follows:

Fiscal Year	Land Purchase Loan		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest
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	15,000	1,658	241,844	83,756
2017-2021	16,000	862	1,344,755	283,247
2022-2024	0	0	927,357	49,443
Total	<u>\$ 86,000</u>	<u>\$ 16,346</u>	<u>\$ 3,400,955</u>	<u>\$ 831,847</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 14 – Interfund Balances**

Interfund Balances at June 30, 2011, consist of the following:

	Interfund Receivable	Interfund Payable
General	\$ 3,489	\$ 0
Miscellaneous State Grants	0	3,489
Total	\$ 3,489	\$ 3,489

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 2012.

**Note 15 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Other Governmental Funds	Total
Nonspendable for:			
Unclaimed Monies	\$ 10,248	\$ 0	\$ 10,248
Restricted for:			
Debt Service	0	59,883	59,883
Capital Outlay	0	212,512	212,512
Extracurricular Activities	0	267,053	267,053
State and Federal Programs	0	88,156	88,156
Other Purposes	0	26,355	26,355
Total Restricted	0	653,959	653,959
Assigned for:			
Encumbrances	182,554	0	182,554
Unassigned	7,949,474	(183,488)	7,765,986
<i>Total Fund Balances</i>	\$ 8,142,276	\$ 470,471	\$ 8,612,747

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

**Note 16 - 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 17 - 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.

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.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2010	\$ 0	\$ 0
Current Year Set-aside Requirement	511,091	511,091
Contributions in Excess of the Current Fiscal Year		
Set-aside Requirement	0	0
Current Year Qualified Expenditures	(348,672)	0
Excess Qualified Expenditures from Prior Years	(830,401)	0
Current Year Offsets	0	(540,272)
Waiver Granted by the Department of Education	0	0
Prior Year Offset from Bond Proceeds	0	0
Totals	<u>\$ (667,982)</u>	<u>\$ (29,181)</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ 0</u>	<u>\$ 0</u>
Set-aside Restricted Balance as of June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>

The School District had qualifying expenditures during the fiscal year that reduced textbook set-aside amount below zero. Effective July 1, 2011, textbook set-aside laws have been repealed. Therefore, the negative amount is not presented as being carried forward to future years.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 17 - Set-Asides (Continued)**

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 18 - 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, 2011.

***B. Litigation***

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

**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 30, 2011

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, 2011, and have issued our report thereon dated December 30, 2011. 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

Management of the School District is responsible for establishing effective 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 opinion 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 30, 2011.

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.*

**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 30, 2011

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's, 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 the School District's major federal programs for the year ended June 30, 2011. 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 the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-001.

Ashland City School District  
Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on  
Major Program and Internal Control over Compliance in  
Accordance with OMB Circular A-133  
Page 2

Internal Control over Compliance

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 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned costs as item 2011-001. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

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, 2011**

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	2011	\$ 123,577	\$ 117,160
Title I - ARRA	84.389	2010	(55,407)	11,934
Title I Delinquent - ARRA	84.389	2011	(2,779)	2,771
Title I Delinquent - ARRA	84.389	2010	2,779	1,080
Title I	84.010	2011	783,531	774,401
Title I	84.010	2010	94,566	111,114
Title I Delinquent	84.010	2010	15,539	14,401
Total Title I Cluster			<u>961,806</u>	<u>1,032,861</u>
<i>Special Education Cluster</i>				
IDEA-B - ARRA	84.391	2011	238,996	230,888
IDEA-B - ARRA	84.391	2010	8,736	69,090
IDEA-B	84.027	2011	682,912	652,306
IDEA-B	84.027	2010	0	74,320
Total Special Education Cluster			<u>930,644</u>	<u>1,026,604</u>
Safe and Drug-Free Schools and Communities	84.186	2011	0	627
Total Safe and Drug-Free Schools and Communities			<u>0</u>	<u>627</u>
State Fiscal Stabilization Fund - ARRA	84.394	2011	822,969	697,372
Total State Fiscal Stabilization Fund			<u>822,969</u>	<u>697,372</u>
Title II-D - ARRA	84.386	2011	225,504	196,682
Title II-D	84.318	2011	2,547	3,053
Total Title II-D			<u>228,051</u>	<u>199,735</u>
Title II-A	84.367	2011	167,764	157,698
Title II-A	84.367	2010	30,245	27,554
Total Title II-A			<u>198,009</u>	<u>185,252</u>
Education Jobs Fund	84.410	2011	141,689	127,324
Total Education Jobs Fund			<u>141,689</u>	<u>127,324</u>
Total Passed Through Ohio Department of Education			<u>3,283,168</u>	<u>3,269,775</u>
<b>(Direct Awards):</b>				
Ashland Fitness Technology based Education Revolution Initiative - Title VD	84.215F	Q215F100260	319,164	308,881
Total Title VD			<u>319,164</u>	<u>308,881</u>
Total Direct Awards			<u>319,164</u>	<u>308,881</u>
<b>Total U.S. Department of Education</b>			<u>3,602,332</u>	<u>3,578,656</u>
<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	2011	151,608	151,608
Total School Breakfast Program			<u>151,608</u>	<u>151,608</u>
Non-Cash Assistance:				
National School Lunch Program	10.555	2011	74,512	74,512
Cash Assistance:				
National School Lunch Program	10.555	2011	638,842	638,842
Total National School Lunch Program			<u>713,354</u>	<u>713,354</u>
Total Child Nutrition Cluster			<u>864,962</u>	<u>864,962</u>
Fruit and Vegetable Program	10.582	2011	37,479	37,479
<b>Total U.S. Department of Agriculture</b>			<u>902,441</u>	<u>902,441</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 4,504,773</u>	<u>\$ 4,481,097</u>

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, 2011**

**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 2011, 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>
84.367	Title II-A: Improving Teacher Quality	2010	\$ 5,750	
84.367	Title II-A: Improving Teacher Quality	2011		\$ 5,750
84.318	Title II-D	2010	506	
84.318	Title II-D	2011		506
84.186	Safe and Drug-Free Schools	2010	659	
84.186	Safe and Drug-Free Schools	2011		659
84.027	IDEA Part B	2010	42,644	
84.027	IDEA Part B	2011		42,644
84.389	Title I-ARRA	2010	55,407	
84.389	Title I-ARRA	2011		55,407
84.389	Title I Delinquent-ARRA	2010	2,779	
84.389	Title I Delinquent-ARRA	2011		2,779

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011**

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

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any 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 weaknesses reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster Ed Jobs Fund Title II-D Title VD – Fitness Technology State Fiscal Stabilization Fund	CFDA # 84.027,84.391(ARRA) 84.410 84.318, 84.386(ARRA) 84.215F 84.394(ARRA)
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 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**

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
OMB CIRCULAR A-133, Section .505  
JUNE 30, 2011**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**SIGNIFICANT DEFICIENCY**

<b>FINDING NUMBER</b>	<b>2011-001</b>
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**CFDA Title and Number:** Special Education Cluster – Title VIB – 84.027 and 84.391  
**Federal Award Number/Year:** 2011  
**Federal Agency:** U.S. Department of Education  
**Pass-Through Agency:** Ohio Department of Education

**Criteria:**

**OMB Circular A-133 Section .500 (c)** states the auditor shall perform procedures to obtain an understanding of internal control over federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs.

**OMB Circular A-87 Attachment B (8)(h)(3-5)** states where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the following standards, unless a statistical sampling system or other system has been approved by the cognizant Federal agency. The Personnel activity reports or equivalent documentation must meet the following: (a) They must reflect an after the fact distribution of the actual activity of each employee, (b) They must account for the total activity for which the employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, and (d) They must be signed by the employee.

**Condition Found:**

We performed a test of controls and compliance over allowable costs/cost principles for payroll expenditures charged during fiscal year 2011. Semi-annual certifications weren't done and the School District was unable to provide us with time and effort documentation for any of the individuals selected for testing.

**Cause:**

The Title VI-B Coordinator was not aware of the time and effort requirements since all of the individuals were paid 100% from the Title VI-B grant funds, and did not work on another cost objective.

**Effect:**

Although we did not identify any unallowable costs, the lack of controls over the time and effort documentation subjects the School District to an increased risk of unallowable costs being charged to the federal programs.

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
OMB CIRCULAR A-133, Section .505  
JUNE 30, 2011**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (continued)</b>
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**SIGNIFICANT DEFICIENCY (continued)**

<b>FINDING NUMBER</b>	<b>2011-001(continued)</b>
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**Recommendation:**

We recommend the Title VI-B Coordinator review the individuals paid out of the federal funds to ensure the amounts are allowable. After this review, the Coordinator should ensure the proper time and effort documentation exists in accordance with the requirements above.

**Management Response/Corrective Action:**

The School District will take timely action to make sure of its compliance with the time and effort requirements for the individuals paid with federal monies. We will ensure time and effort is documented for those individuals who work on multiple activities and whose salaries are distributed among funds with a portion being charged to federal programs, and semi-annual certifications are completed for all employees working solely on a single federal award.

December 30, 2011

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

### **Independent Accountant's Report on Applying Agreed-Upon Procedure**

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

1. In our report dated December 23, 2010, we noted the Board adopted an anti-harassment policy on November 27, 2007. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on February 28, 2011. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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 and the School District's management 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  
MARCH 20, 2012**