



Dave Yost • Auditor of State

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2015

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Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position of governmental activities decreased \$71,600 which represents a less than 1% decrease from 2013.
- General revenues accounted for \$13,727,571 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,125,253 or 19% of total revenues of \$16,852,824.
- The District had \$16,924,424 in expenses related to governmental activities; \$3,125,253 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,727,571 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Government-wide Financial Statements 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 District's *net position* and changes in position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits 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 District's own programs.

The District as a Whole

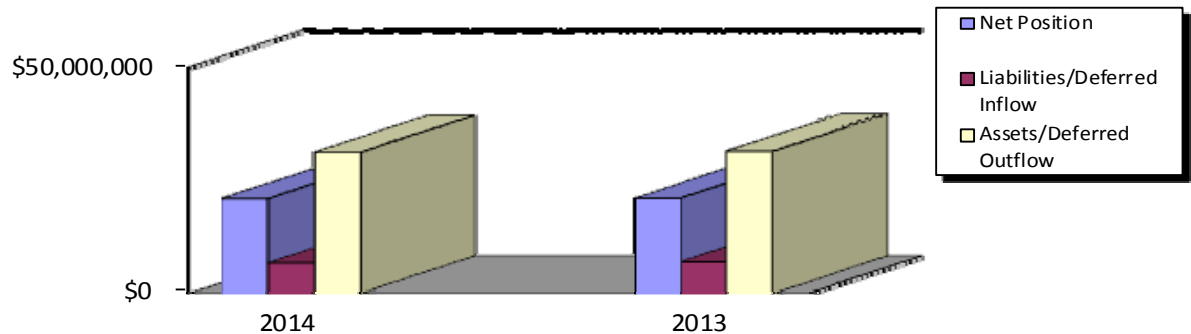
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

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Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2014	2013 Restated
Assets:		
Current and Other Assets	\$10,265,903	\$10,293,850
Capital Assets	20,908,718	21,168,724
Total Assets	31,174,621	31,462,574
Total Deferred Outflows of Resources	85,418	0
Liabilities:		
Other Liabilities	1,807,116	1,807,251
Long-Term Liabilities	4,930,548	5,157,788
Total Liabilities	6,737,664	6,965,039
Total Deferred Inflows of Resources	3,528,236	3,431,796
Net Position:		
Net Investment in Capital Assets	16,338,884	16,552,501
Restricted	715,028	1,328,770
Unrestricted	3,940,227	3,184,468
Total Net Position	\$20,994,139	\$21,065,739



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,994,139.

At year-end, capital assets represented 67% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2014, were \$16,338,884. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

A portion of the District's net position, \$715,028 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Long-term liabilities decreased due primarily to the District making regularly scheduled debt payments in 2014.

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

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013 Restated
Revenues:		
Program Revenues		
Charges for Services	\$1,763,813	\$1,950,737
Operating Grants, Contributions	1,361,440	2,497,996
General Revenues:		
Property Taxes	3,050,232	3,045,335
Grants and Entitlements	10,427,042	8,466,715
Other	250,297	178,841
Total Revenues	<u>16,852,824</u>	<u>16,139,624</u>
Program Expenses:		
Instruction	9,839,217	8,438,540
Support Services:		
Pupil and Instructional Staff	1,101,290	1,753,482
School Administrative, General		
Administration, Fiscal and Business	2,061,737	1,964,331
Operations and Maintenance	1,276,323	1,316,605
Pupil Transportation	990,253	967,387
Central	14,330	12,371
Operation of Non-Instructional Services	951,350	1,241,534
Extracurricular Activities	480,195	165,568
Interest and Fiscal Charges	209,729	208,544
Total Program Expenses	<u>16,924,424</u>	<u>16,068,362</u>
Change in Net Position	(71,600)	71,262
Net Position - Beginning of Year	<u>21,065,739</u>	<u>20,994,477</u>
Net Position - End of Year	<u>\$20,994,139</u>	<u>\$21,065,739</u>

The District revenues are mainly from three sources. Property taxes levied for general, debt service, special revenue and capital projects purposes, charges for services and sales, and operating grants and contributions comprised 37% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues

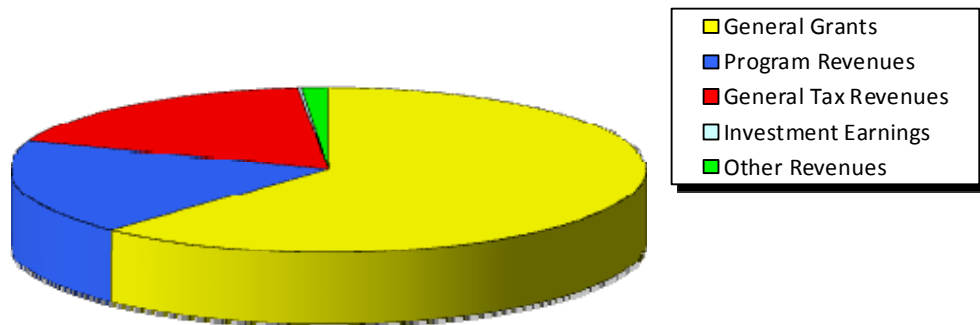
Blanchester Local School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 18% of revenue for governmental activities for the District in fiscal year 2014.

Governmental Activities
Revenue Sources

Revenue Sources	2014	Percent of Total
General Grants	\$10,427,042	61.9%
Program Revenues	3,125,253	18.5%
General Tax Revenues	3,050,232	18.1%
Investment Earnings	32,478	0.2%
Other Revenues	217,819	1.3%
Investment Earnings	<u>\$16,852,824</u>	<u>100.0%</u>



Instruction comprises 58.1% of governmental program expenses. Support services expenses were 32.2% of governmental program expenses. All other expenses and interest expense was 9.7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants decreased in fiscal year 2014 as compared to fiscal year 2013, which was mainly due to a decrease in grants monies received. Total expenses increased in fiscal year 2014 as compared to 2013 due to general inflationary costs.

Governmental Activities

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

**Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$9,839,217	\$8,438,540	(\$7,843,885)	(\$5,514,647)
Support Services:				
Pupil and Instructional Staff	1,101,290	1,753,482	(1,005,556)	(1,369,126)
School Administrative, General				
Administration, Fiscal and Business	2,061,737	1,964,331	(2,057,248)	(1,932,390)
Operations and Maintenance	1,276,323	1,316,605	(1,219,419)	(1,258,155)
Pupil Transportation	990,253	967,387	(990,253)	(931,591)
Central	14,330	12,371	(14,330)	(12,371)
Operation of Non-Instructional Services	951,350	1,241,534	(116,519)	(359,649)
Extracurricular Activities	480,195	165,568	(342,232)	(33,156)
Interest and Fiscal Charges	209,729	208,544	(209,729)	(208,544)
Total Expenses	<u>\$16,924,424</u>	<u>\$16,068,362</u>	<u>(\$13,799,171)</u>	<u>(\$11,619,629)</u>

The District's Funds

The District has one major governmental fund: Assets of the general fund comprised \$8,972,254 (85%) of the total \$10,572,975 governmental funds' assets.

General Fund: Fund balance at June 30, 2014 was \$4,045,066, an increase in fund balance of \$535,076. The fund balance increased mainly due to an increase in intergovernmental monies received.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$14,919,547, compared to original budget estimates of \$14,096,616.

The District's ending unobligated cash balance for the General Fund was \$3,773,712.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$20,908,718 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

**Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

**Table 4
Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$474,430	\$474,430
Construction in Progress	25,500	1,736,363
Buildings and Improvements	19,228,466	17,861,329
Equipment	1,180,322	1,096,602
Total Net Capital Assets	<u>\$20,908,718</u>	<u>\$21,168,724</u>

Overall, capital assets decreased due to current year depreciation expense exceeding current year additions.

See Note 6 to the Basic Financial Statements for further details on the District's capital assets.

Debt

At June 30, 2014, the District had \$4,655,252 in bonds payable, \$185,000 due within one year. Table 5 summarizes bonds outstanding at year end.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2014	2013
General Obligation Bonds:		
State Facilities Construction	\$0	\$190,000
2006 Refunding Bonds:		
Current Interest Bonds	2,055,000	2,100,000
Current Appreciation Bonds – Principal Only	85,000	85,000
Current Appreciation Bonds – Compounding Interest	324,624	250,122
Deferred Amount on Refunding Bonds	0	(94,908)
Premium on Refunding Bonds	124,743	138,604
2013 Certificate of Participation	1,940,000	2,080,000
2013 Capital Appreciation Bonds	34,999	34,999
2013 Capital Appreciation Bonds - Compounding Interest	14,253	4,986
Premium on 2013 Certificate of Participation	76,633	82,528
Total Outstanding Debt at Year End	<u>\$4,655,252</u>	<u>\$4,871,331</u>

See Note 7 to the Basic Financial Statements for further details on the District's long-term obligations.

Economic Outlook

The Ohio Department of Education explains the school funding model in Ohio as follows:

The funding of K-12 public schools in Ohio is a joint effort between the state and local school districts. Since the 1970s through FY 2009, with the exception of a few years, Ohio's funding formula was foundation based by means of which a per pupil amount determined by the General Assembly as

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

the per-pupil resource for provision of a basic adequate education was multiplied by the number of pupils to determine the base funding of the school districts. From this product, the local share of the basic adequate amount or the charge off was subtracted to arrive at the state share of the base funding. Additional funding was also provided for services targeted to categories of pupils such as handicapped, vocational, gifted, and economically disadvantaged as well as some adjustments and funding guarantees.

The 2010-11 biennial budget (Am. Sub. HBI of the 128th General Assembly) established another new funding formula called the Evidence-Based Model (EBM). Am. Sub. HB 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula, the Bridge Formula, for the 12-13 school year as a new funding formula was developed. The State revised the funding model in June, 2013 and adopted HB 59, the FY 14 and FY 15 biennium budget which again changed the district funding formula, but not district funding.

Given the uncertainty of the school funding formula and the economic conditions within the State, the level at which the State will fund schools in the future remains uncertain. The District remains concerned about the instability of the state economy and the political ramifications of changing the funding formula every two years. We plan carefully and prudently to provide resources to meet the needs of our students but the uncertainty of state funding challenges our planning.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darlene Kassner, Treasurer at Blanchester Local School District, 951 Cherry Street, Blanchester, Ohio 45107. Or E-mail at kassnerd@blan.org.

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Blanchester Local School District, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$5,947,982
Receivables (Net):	
Taxes	3,964,909
Accounts	162
Intergovernmental	333,773
Inventory	19,077
Nondepreciable Capital Assets	499,930
Depreciable Capital Assets, Net	<u>20,408,788</u>
 Total Assets	 <u>31,174,621</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	<u>85,418</u>
 Total Deferred Outflows of Resources	 <u>85,418</u>
Liabilities:	
Accounts Payable	97,679
Accrued Wages and Benefits	1,653,431
Contracts Payable	45,376
Accrued Interest Payable	10,630
Long-Term Liabilities:	
Due Within One Year	251,317
Due In More Than One Year	<u>4,679,231</u>
 Total Liabilities	 <u>6,737,664</u>
Deferred Inflows of Resources:	
Property Taxes	<u>3,528,236</u>
 Total Deferred Inflows of Resources	 <u>3,528,236</u>
Net Position:	
Net Investment in Capital Assets	16,338,884
Restricted for:	
Debt Service	309,053
Capital Projects	122,104
Classroom Facilities Maintenance	70,346
Extracurricular	53,877
Federal Grants	138,789
Other Purposes	20,859
Unrestricted	<u>3,940,227</u>
 Total Net Position	 <u>\$20,994,139</u>

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$6,456,329	\$1,386,297	\$235,554	(\$4,834,478)
Special	2,238,434	2,360	371,121	(1,864,953)
Vocational	316,528	0	0	(316,528)
Other	827,926	0	0	(827,926)
Support Services:				
Pupil	425,892	0	67,520	(358,372)
Instructional Staff	675,398	0	28,214	(647,184)
General Administration	37,887	0	2,733	(35,154)
School Administration	1,598,265	0	1,163	(1,597,102)
Fiscal	416,575	0	593	(415,982)
Business	9,010	0	0	(9,010)
Operations and Maintenance	1,276,323	1,468	55,436	(1,219,419)
Pupil Transportation	990,253	0	0	(990,253)
Central	14,330	0	0	(14,330)
Operation of Non-Instructional Services	951,350	235,725	599,106	(116,519)
Extracurricular Activities	480,195	137,963	0	(342,232)
Interest and Fiscal Charges	209,729	0	0	(209,729)
Totals	\$16,924,424	\$1,763,813	\$1,361,440	(13,799,171)

General Revenues:

Property Taxes Levied for:

General Purposes	2,638,815
Special Revenue Purposes	52,723
Debt Service Purposes	239,406
Capital Projects Purposes	119,288
Grants and Entitlements, Not Restricted	10,427,042
Investment Earnings	32,478
Other Revenues	217,819

Total General Revenues 13,727,571

Change in Net Position (71,600)

Net Position - Beginning of Year, Restated 21,065,739

Net Position - End of Year \$20,994,139

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
 Balance Sheet
 Governmental Funds
 June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$5,193,874	\$754,108	\$5,947,982
Receivables (Net):			
Taxes	3,473,235	491,674	3,964,909
Accounts	162	0	162
Intergovernmental	0	333,773	333,773
Interfund	304,983	2,089	307,072
Inventory	0	19,077	19,077
Total Assets	8,972,254	1,600,721	10,572,975
Liabilities:			
Accounts Payable	83,678	14,001	97,679
Accrued Wages and Benefits	1,476,952	176,479	1,653,431
Compensated Absences	43,413	4,959	48,372
Contracts Payable	30,000	15,376	45,376
Interfund Payable	0	307,072	307,072
Total Liabilities	1,634,043	517,887	2,151,930
Deferred Inflows of Resources:			
Property Taxes	3,293,145	462,676	3,755,821
Grants and Other Taxes	0	333,773	333,773
Total Deferred Inflows of Resources	3,293,145	796,449	4,089,594
Fund Balances:			
Restricted	0	592,936	592,936
Committed	11,000	0	11,000
Assigned	2,970,961	0	2,970,961
Unassigned	1,063,105	(306,551)	756,554
Total Fund Balances	4,045,066	286,385	4,331,451
Total Liabilities, Deferred Inflows and Fund Balances	\$8,972,254	\$1,600,721	\$10,572,975

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance		\$4,331,451
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		20,908,718
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	227,585	
Intergovernmental	<u>333,773</u>	
		561,358
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(10,630)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(226,924)
Deferred outflow of resources associated with long-term liabilities are not reported in the funds.		
		85,418
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
		<u>(4,655,252)</u>
Net Position of Governmental Activities		<u><u>\$20,994,139</u></u>

See accompanying notes to the basic financial statements.

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$2,661,537	\$415,137	\$3,076,674
Tuition and Fees	1,385,877	0	1,385,877
Investment Earnings	32,051	427	32,478
Intergovernmental	10,372,265	1,248,548	11,620,813
Extracurricular Activities	4,381	136,365	140,746
Charges for Services	0	237,193	237,193
Other Revenues	193,134	24,681	217,815
Total Revenues	14,649,245	2,062,351	16,711,596
Expenditures:			
Current:			
Instruction:			
Regular	5,563,873	275,095	5,838,968
Special	1,800,594	371,756	2,172,350
Vocational	316,528	0	316,528
Other	827,926	0	827,926
Support Services:			
Pupil	365,234	59,348	424,582
Instructional Staff	628,160	49,606	677,766
General Administration	34,612	3,275	37,887
School Administration	1,540,429	0	1,540,429
Fiscal	404,422	10,773	415,195
Business	9,010	0	9,010
Operations and Maintenance	1,095,024	124,683	1,219,707
Pupil Transportation	969,751	0	969,751
Central	14,330	0	14,330
Operation of Non-Instructional Services	0	917,371	917,371
Extracurricular Activities	314,869	156,243	471,112
Capital Outlay	46,384	548,297	594,681
Debt Service:			
Principal Retirement	140,000	235,000	375,000
Interest and Fiscal Charges	43,023	95,014	138,037
Total Expenditures	14,114,169	2,846,461	16,960,630
Net Change in Fund Balance	535,076	(784,110)	(249,034)
Fund Balance - Beginning of Year	3,509,990	1,070,495	4,580,485
Fund Balance - End of Year	\$4,045,066	\$286,385	\$4,331,451

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balance - Total Governmental Funds (\$249,034)

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

Governmental funds report capital asset additions 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 of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	689,541	
Depreciation Expense	<u>(949,547)</u>	(260,006)

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

Delinquent Property Taxes	(26,443)	
Intergovernmental	<u>167,671</u>	141,228

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

375,000

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due.

1,811

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

Compensated Absences	(7,096)	
Amortization of Bond Premium	19,756	
Amortization of Deferred Charge on Refunding	(9,490)	
Bond Accretion	<u>(83,769)</u>	<u>(80,599)</u>

Change in Net Position of Governmental Activities (\$71,600)

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$191,282</u>	<u>\$28,862</u>
Total Assets	<u>191,282</u>	<u>28,862</u>
Liabilities:		
Accounts Payable	0	162
Other Liabilities	<u>0</u>	<u>28,700</u>
Total Liabilities	<u>0</u>	<u>\$28,862</u>
Net Position:		
Held in Trust	<u>191,282</u>	
Total Net Position	<u>\$191,282</u>	

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions:	
Investment Earnings	\$972
Other	700
Total Additions	<u>1,672</u>
Deductions:	
Other	<u>10,851</u>
Total Deductions	<u>10,851</u>
Change in Net Position	(9,179)
Net Position - Beginning of Year	<u>200,461</u>
Net Position - End of Year	<u><u>\$191,282</u></u>

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 1 - Description of the District

The Blanchester Local School District ("District") was originally organized in 1854 and known as Blanchester Village School. On July 1, 1959 Blanchester Village School, Jefferson Township School and Edenton Local School District became Blanchester Local School District. In 1853 State Laws were enacted to create local boards of education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected, five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's four instructional and support facilities staffed by 97 classified, 103 certified and eight administrative employees to provide service to 1,786 students and other community members.

Reporting Entity

The financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

Note 2 - Summary of Significant Accounting Policies

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

Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison for each function or program of the 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 and contributions that are restricted to meeting the operational or capital requirements of a particular

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds focus 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 District's major governmental fund:

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

Fiduciary Funds

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

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

The District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows, 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 District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants and other taxes (which includes tax incremental financing 'TIF'). Property taxes

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

Interest revenue credited to the general fund during fiscal year 2014 amounted to \$32,051 and \$427 in other governmental funds.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

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

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

Capital Assets

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 District maintains a capitalization threshold of five hundred dollars (\$500). The 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. Interest incurred during the construction of capital assets is also capitalized.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

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

<u>Description</u>	<u>Estimated Lives</u>
Building Improvements	20-40 years
Equipment	3-15 years

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vested payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the amount recorded as compensated absences is the amount due at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in proprietary funds.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned service year depending on length of service	Not Eligible	Per Contract	10-20 days for each
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Not Applicable	Not Applicable
<u>Sick Leave</u>			
How Earned of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month
Maximum Accumulation	228 days	Per Contract	228 days

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$715,028 in restricted net position, none were restricted by enabling legislation.

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.

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the 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 following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Estimates

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

Note 3 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2014, \$480,393 of the District's bank balance of \$5,221,462 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

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

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal Farm Credit Banks	\$250,124	0.38
Corporate Bonds	5,000	0.79
U.S. Treasury Equivalent	<u>1,071,647</u>	0.00
Total Fair Value	<u><u>\$1,326,771</u></u>	
Portfolio Weighted Average Maturity		0.07

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Federal Farm Credit Bank were rated AA+ by Standard and Poor’s and Fitch ratings and Aaa by Moody’s Investment Service. The U.S. Treasury Equivalent and Corporate bonds were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in government sponsored enterprise (GSE) securities. The District has invested 100% of its investments in government sponsored enterprise (GSE) securities.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

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. The District receives property taxes from Clinton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2015 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance \$180,090 in the General Fund and \$28,998 in Other Governmental Funds.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$103,004,300
Public Utility Personal	<u>7,393,830</u>
Total	<u><u>\$110,398,130</u></u>

Note 5 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 6 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$474,430	\$0	\$0	\$474,430
Construction in Progress	1,736,363	404,137	2,115,000	25,500
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	30,057,278	2,135,500	0	32,192,778
Equipment	<u>7,376,522</u>	<u>264,904</u>	<u>0</u>	<u>7,641,426</u>
Totals at Historical Cost	<u>39,644,593</u>	<u>2,804,541</u>	<u>2,115,000</u>	<u>40,334,134</u>
Less Accumulated Depreciation:				
Buildings and Improvements	12,195,949	768,363	0	12,964,312
Equipment	<u>6,279,920</u>	<u>181,184</u>	<u>0</u>	<u>6,461,104</u>
Total Accumulated Depreciation	<u>18,475,869</u>	<u>949,547</u>	<u>0</u>	<u>19,425,416</u>
Governmental Activities Capital Assets, Net	<u>\$21,168,724</u>	<u>\$1,854,994</u>	<u>\$2,115,000</u>	<u>\$20,908,718</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$690,609
Special	66,084
Support Services:	
Pupil	1,310
School Administration	66,957
Operations and Maintenance	56,396
Pupil Transportation	21,865
Operation of Non-Instructional Services	36,304
Extracurricular Activities	<u>10,022</u>
Total Depreciation Expense	<u>\$949,547</u>

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Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 7 - Long-Term Liabilities

	Interest Rate	Maturity Dates	Restated Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:							
General Obligation Bonds:							
2000 School Facilities Construction	5.67%	12/1/22	\$190,000	\$0	\$190,000	\$0	\$0
2006 Refunding Bonds:							
Current Interest Bonds	4.00%-4.25%	12/1/22	2,100,000	0	45,000	2,055,000	40,000
Current Appreciation Bonds							
Principal Only		12/1/15	85,000	0	0	85,000	0
Current Appreciation Bonds							
Compounding Interest	20.12%-22.01%	12/1/15	250,122	74,502	0	324,624	0
Premium on Refunding Bonds			138,604	0	13,861	124,743	0
2013 Certificate of Participation			2,080,000	0	140,000	1,940,000	145,000
2013 Capital Appreciation Bonds			34,999	0	0	34,999	0
2013 Capital Appreciation Bonds -							
Compounding Interest			4,986	9,267	0	14,253	0
Premium on 2013 Certificate of Participation			82,528	0	5,895	76,633	0
Total Bonds			4,966,239	83,769	394,756	4,655,252	185,000
Compensated Absences			286,457	74,064	85,225	275,296	66,317
Total Governmental Activities			<u>\$5,252,696</u>	<u>\$157,833</u>	<u>\$479,981</u>	<u>\$4,930,548</u>	<u>\$251,317</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2015	\$145,000	\$126,834	\$40,000	\$190,000
2016	150,000	125,209	45,000	225,000
2017	425,000	117,835	0	0
2018	440,000	104,254	0	0
2019	475,000	88,998	0	0
2020-2024	1,820,000	234,606	34,999	120,001
2025-2027	540,000	24,381	0	0
Total	<u>\$3,995,000</u>	<u>\$822,117</u>	<u>\$119,999</u>	<u>\$535,001</u>

Note 8 - Prior Year Defeasance of Debt

As a result of the 2007 advance refunding, the \$2,445,000 of the 2000 School Facilities Construction Bonds and \$179,000 of the Putnam Addition and Junior High Gym Improvement Bonds are considered defeased and the liability is therefore not included on the Statement of Net Position.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 9 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The 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 on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$385,296, \$370,488, and \$342,504, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations,

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$830,292, \$700,596, and \$710,376, respectively; 84% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 10- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.74%. District contributions for the years ended June 30, 2014, 2013 and 2012 were \$20,366, \$19,583, and \$18,593, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$4,403, \$4,234, and \$34,984, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$59,307, \$50,043, and \$50,741, 84% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 11 - Contingent Liabilities

Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2014.

Litigation

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

Note 12 - Jointly Governed Organizations

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 27 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. To obtain financial information write to: Thor Sage, Director, 330 East Enon Road, Yellow Springs, Ohio 45387.

The Ohio region 14 state Support Team (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Southern Ohio

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and from Federal and State grants. To obtain financial information write to: Rachel Meyer, Treasurer, Southern Ohio Educational Service District, 3321 Airborne Road, Wilmington, Ohio 45177.

Note 13 - Related Organization

Public Library - The Blanchester Public Library is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Blanchester School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax-related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Blanchester Public Library, Mrs. Pamela Smith, Clerk/Treasurer, at 110 North Broadway, Blanchester, Ohio 45107.

Note 14 - Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers. Settled claims have not exceeded commercial coverage in any of the past four years.

The District provides health insurance to employees through a private carrier. They no longer provide benefits through a self insurance program.

Note 15 – Accountability

The following individual funds had a deficit in fund balance at year end:

	<u>Deficit</u>
Other Governmental Funds:	
Summer Intervention	\$5,124
Vocational Education Enhancement	1,876
Alternative Schools	51,958
Special Education	227,538
Title V	9,564
Miscellaneous Federal Grants	8,771
Food service	1,720

The deficit fund balance in these special revenue funds was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 16 - Set-Asides

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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 year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set Aside Requirements	289,851
Qualified Disbursements	(118,741)
Current Year Offsets	(171,110)
Set Aside Reserve Balance as of June 30, 2014	<u><u>\$0</u></u>

Restricted Cash as of June 30, 2014

Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits of \$17,888,088 available for carryover to offset capital acquisition requirements of future years.

Note 17 - Interfund Transactions

Interfund transactions at June 30, 2014, consisted of the following interfund receivable and payable:

	Interfund	
	Receivable	Payable
General Fund	\$304,983	\$0
Other Governmental Funds	<u>2,089</u>	<u>307,072</u>
Total All Funds	<u><u>\$307,072</u></u>	<u><u>\$307,072</u></u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 18 – Fund Balances

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

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Fund Balances	General	Other Governmental Funds	Total
Restricted for:			
Local Grants	0	1,206	1,206
Classroom Facilities Maintenance	0	67,360	67,360
Student Activity	0	53,877	53,877
Data Communication	0	18,779	18,779
Miscellaneous State Grants	0	874	874
Title I	0	7,022	7,022
Drug Free Schools	0	2,089	2,089
Improving Teacher Quality	0	27,638	27,638
Debt Service	0	301,195	301,195
Permanent Improvement	0	112,896	112,896
Total Restricted	0	592,936	592,936
Committed to:			
Permanent Improvements	11,000	0	11,000
Total Committed	11,000	0	11,000
Assigned to:			
Public School Support	61,365	0	61,365
Budgetary Variance	1,725,208	0	1,725,208
Encumbrances	1,184,388	0	1,184,388
Total Assigned	2,970,961	0	2,970,961
Unassigned (Deficit)	1,063,105	(306,551)	756,554
Total Fund Balance	\$4,045,066	\$286,385	\$4,331,451

Note 19 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

Note 20 – Prior Period Adjustment

In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period's net position as follows:

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

	<u>Governmental Activities</u>
Net Position - June 30, 2013	\$21,191,970
Prior Period Adjustment:	
Bond Issuance Costs	(126,231)
Restated Net Position - June 30, 2013	<u><u>\$21,065,739</u></u>

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Blanchester Local School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,586,793	\$2,737,804	\$2,670,306	(\$67,498)
Tuition and Fees	1,305,405	1,381,612	1,347,549	(34,063)
Investment Earnings	32,363	34,252	33,408	(844)
Intergovernmental	10,047,874	10,634,449	10,372,265	(262,184)
Other Revenues	124,181	131,430	128,190	(3,240)
Total Revenues	14,096,616	14,919,547	14,551,718	(367,829)
Expenditures:				
Current:				
Instruction:				
Regular	5,908,636	5,654,063	5,569,482	84,581
Special	1,916,706	1,834,125	1,806,688	27,437
Vocational	336,400	321,907	317,091	4,816
Other	883,870	845,788	833,136	12,652
Support Services:				
Pupil	495,008	473,681	466,595	7,086
Instructional Staff	683,460	654,014	644,230	9,784
General Administration	37,077	35,480	34,949	531
School Administration	1,640,011	1,569,352	1,545,875	23,477
Fiscal	429,092	410,604	404,462	6,142
Business	9,559	9,147	9,010	137
Operations and Maintenance	1,176,661	1,125,965	1,109,121	16,844
Pupil Transportation	1,212,405	1,160,168	1,142,813	17,355
Central	15,203	14,548	14,330	218
Operation of Non-Instructional Services	6,582	6,298	6,204	94
Extracurricular Activities	326,735	312,658	307,981	4,677
Capital Outlay	718,783	687,814	677,525	10,289
Debt Service:				
Principal Retirement	148,525	142,126	140,000	2,126
Interest and Fiscal Charges	45,643	43,676	43,023	653
Total Expenditures	15,990,356	15,301,414	15,072,515	228,899
Excess of Revenues Over (Under) Expenditures	(1,893,740)	(381,867)	(520,797)	(138,930)
Other Financing Sources (Uses):				
Advances In	16,034	16,970	16,552	(418)
Advances (Out)	(195,757)	(187,323)	(184,521)	2,802
Total Other Financing Sources (Uses)	(179,723)	(170,353)	(167,969)	2,384
Net Change in Fund Balance	(2,073,463)	(552,220)	(688,766)	(136,546)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	4,462,478	4,462,478	4,462,478	0
Fund Balance - End of Year	\$2,389,015	\$3,910,258	\$3,773,712	(\$136,546)

See accompanying notes to the required supplementary information.

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2014

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount 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 the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2014.

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

Any budgetary modifications at the fund and function level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2014

the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriations and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as an assignment of fund balance for subsequent year expenditures for governmental funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2014

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	General
GAAP Basis	\$535,076
Revenue Accruals	(97,527)
Expenditure Accruals	247,592
Advances In	16,552
Advances (Out)	(184,521)
Encumbrances	(1,221,298)
Funds Budgeted Elsewhere	15,360
Budget Basis	(\$688,766)

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**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
Nutrition Cluster:					
National School Breakfast Program	10.553	\$ 87,215		\$ 87,215	
National School Lunch Program	10.555	333,887	\$ 51,848	333,887	\$ 51,848
<i>Total Nutrition Cluster</i>		<u>421,102</u>	<u>51,848</u>	<u>421,102</u>	<u>51,848</u>
Farm to School Grant Program - FY13	10.574	4,930	-	-	-
Total U.S. Department of Agriculture		426,032	51,848	421,102	51,848
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title I - FY 14	84.010	246,222		250,392	
Title I - FY 13		60,886		72,255	
<i>Total Title I</i>		<u>307,108</u>		<u>322,647</u>	
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY 14	84.027	105,494		249,574	
IDEA Part B - FY 13		29,875		47,327	
		<u>135,369</u>		<u>296,901</u>	
Early Childhood - FY 14	84.173	5,591		5,592	
<i>Total Special Education Cluster</i>		<u>140,960</u>		<u>302,493</u>	
Additional Programs:					
Improving Teacher Quality - FY 14	84.367	53,318		52,243	
Improving Teacher Quality - FY 13		5,277		6,984	
Total Improving Teacher Quality		<u>58,595</u>		<u>59,227</u>	
<i>Passed through Great Oaks Institute of Technology and Career Development</i>					
Vocational Education Basic Grants to States					
Career Education	84.048	4,000		4,000	
Total Department of Education		510,663	-	688,367	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 936,695	\$ 51,848	\$ 1,109,469	\$ 51,848

The accompanying notes to this schedule are an integral part of this schedule.

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – FARM TO SCHOOL GRANT

The District expended \$4,055 related to the Farm to School Grant in 2013. This expenditure was not reported on the Federal Awards Receipts and Expenditures Schedule for the Fiscal year ended June 30, 2013.



Dave Yost • Auditor of State

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

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanchester Local School District, Clinton, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2015



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

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2015

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: IDEA Part B CFDA# 84.027 Preschool Subsidy CFDA# 84.173 Title I CFDA# 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2014-001

Significant Deficiency

Governmental Accounting Standards Board Statement No. 34 paragraphs 47-51 require the District to present program revenues. The District did not correctly classify the restricted revenues special education additional funding, career tech education funding and the special education funding. This resulted in an overstatement of Grants and Entitlements Not Restricted, and a corresponding understatement of Operating Grants and Contributions program revenues, in the amount of \$1,120,839.

Failure to accurately post and report transactions could result in material errors in the District's financial statements and reduces the District's ability to monitor financial activity and make sound decisions.

The District should implement controls to ensure that program revenues are properly classified during the conversion process. The District corrected the financial statements.

Officials' Response:

We did not receive a response from officials to the finding above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Appropriations exceeded Estimated Resources	Yes	
2013-002	Prior certification of Expenditures	Yes	

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BLANCHESTER LOCAL SCHOOL DISTRICT

CLINTON 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
APRIL 9, 2015**