



Dave Yost • Auditor of State

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Morgan Local School District
Morgan County
65 W. Union Street
McConnelsville, Ohio 43756

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for 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 School 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 School 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 opinion.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, 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.

Supplemental and Other Information

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

The Schedule of Federal Award Receipts and Expenditures (the Schedule) 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 not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates 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 16, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School 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 initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

March 16, 2015

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

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

Financial Highlights

Key financial highlights for the fiscal year 2014 are as follows:

- Net position of governmental activities increased \$128,244.
- General revenues accounted for \$19,667,598 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,399,016 or 25 percent of total revenues of \$26,066,614.
- The School District had \$25,938,370 in expenses related to governmental activities; only \$6,399,016 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$19,667,598 were adequate to provide for these programs.
- The School District's three major funds were the General Fund, the Bond Retirement Debt Service Fund, and the School Facilities Capital Projects Fund. The General Fund's balance increased \$794,453. The Bond Retirement Debt Service Fund's balance increased \$89,713. The School Facilities Capital Projects Fund's balance decreased \$506,625.

Using this Annual Financial Report

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

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and the School Facilities Capital Projects Fund.

Governmental Funds All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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 benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The School District uses the accrual basis of accounting to report fiduciary funds.

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
 Net Position
 Governmental Activities

	2014	2013	Change
Assets			
Current and Other Assets	\$23,146,637	\$22,345,928	\$800,709
Capital Assets	37,199,354	38,643,839	(1,444,485)
Total Assets	60,345,991	60,989,767	(643,776)
Deferred Outflows of Resources			
Deferred Charge on Refunding	152,345	170,434	(18,089)
Liabilities			
Long-term Liabilities	8,948,328	9,638,420	(690,092)
Other Liabilities	2,545,630	2,579,730	(34,100)
Total Liabilities	11,493,958	12,218,150	(724,192)
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	4,686,250	4,752,167	(65,917)
Net Position			
Net Investment in Capital Assets	30,121,808	31,041,846	(920,038)
Restricted	7,064,640	6,497,594	567,046
Unrestricted	7,131,680	6,650,444	481,236
Total Net Position	\$44,318,128	\$44,189,884	\$128,244

Total assets decreased \$643,776. Capital assets decreased \$1,444,485 mainly from yearly depreciation exceeding current year additions. Cash and cash equivalents decreased \$424,554 due mainly to the repayment of Ohio School Facilities Project monies upon the completion of the high school construction project. These decreases were offset by increases in intergovernmental receivable and prepaid items. Intergovernmental receivables increased \$852,976 mainly due to a new Straight A grant in the amount of \$619,925 combined with the timing of receipts for other grants. Prepaid items increased \$409,640 due to the purchase of four buses at fiscal year 2014 year end. The School District did not gain possession of these buses until fiscal year 2015.

Other liabilities did not experience significant changes. Long-term liabilities decreased \$690,092 primarily due to the payment of debt.

Table 2 shows the changes in net position for the fiscal year 2014 compared to fiscal year 2013.

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

Table 2
 Changes in Net Position
 Governmental Activities

	2014	2013	Change
Revenues			
Program Revenues			
Charges for Services	\$707,199	\$734,586	(\$27,387)
Operating Grants, Contributions and Interest	5,691,817	4,708,473	983,344
Total Program Revenues	<u>6,399,016</u>	<u>5,443,059</u>	<u>955,957</u>
General Revenues			
Property Taxes	5,331,027	4,397,977	933,050
Grants and Entitlements	14,180,355	13,620,017	560,338
Interest	48,005	96,573	(48,568)
Gift and Donations	10,000	2,592	7,408
Rent	0	2,677	(2,677)
Miscellaneous	66,764	70,124	(3,360)
Gain on Sale of Capital Assets	31,447	0	31,447
Total General Revenues	<u>19,667,598</u>	<u>18,189,960</u>	<u>1,477,638</u>
Total Revenues	<u>26,066,614</u>	<u>23,633,019</u>	<u>2,433,595</u>
Program Expenses			
Instruction:			
Regular	10,415,433	10,296,476	118,957
Special	3,523,844	3,225,893	297,951
Vocational	1,064,596	1,113,655	(49,059)
Intervention	180,556	76,341	104,215
Support Services:			
Pupils	763,735	552,119	211,616
Instructional Staff	438,516	522,393	(83,877)
Board of Education	103,460	54,397	49,063
Administration	1,836,471	1,808,024	28,447
Fiscal	777,515	764,009	13,506
Business	140,717	163,487	(22,770)
Operation and Maintenance of Plant	2,161,326	2,138,075	23,251
Pupil Transportation	2,538,393	1,969,931	568,462
Central	78,601	35,798	42,803
Operation of Non-Instructional Services:			
Food Service Operations	1,268,750	1,296,794	(28,044)
Extracurricular Activities	231,539	225,183	6,356
Interest and Fiscal Charges	414,918	439,677	(24,759)
Total Expenses	<u>25,938,370</u>	<u>24,682,252</u>	<u>1,256,118</u>
Increase (Decrease) in Net Position	128,244	(1,049,233)	1,177,477
Net Position Beginning of Year	44,189,884	45,239,117	(1,049,233)
Net Position End of Year	<u>\$44,318,128</u>	<u>\$44,189,884</u>	<u>\$128,244</u>

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

Net position increased \$128,244. Revenues reflect an overall increase of \$2,433,595 due mainly to an increase in operating grants and contributions of \$983,344, an increase in property taxes of \$933,050, and an increase in grants and entitlements of \$560,338. Operating grants and contributions increased as a result of the new Straight A Grant that was awarded in fiscal year 2014. Property taxes increased due to the larger amount available as an advance to the School District as of fiscal year end combined with the increase in the amount of taxes that were received in fiscal year 2014. The increase in general revenue grants and entitlements was the result of increases in State foundation revenues for fiscal year 2014.

Instruction comprises approximately 59 percent of governmental program expenses and support services make up approximately 34 percent of the program expenses of the School District.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 20 percent of revenues for governmental activities for the School District in fiscal year 2014.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
 Governmental Activities

	<u>Total Cost of Services</u> 2014	<u>Net Cost of Services</u> 2014	<u>Total Cost of Services</u> 2013	<u>Net Cost of Services</u> 2013
Program Expenses				
Instruction:				
Regular	\$10,415,433	\$8,719,463	\$10,296,476	\$9,308,340
Special	3,523,844	987,821	3,225,893	1,880,743
Vocational	1,064,596	1,043,684	1,113,655	1,097,150
Intervention	180,556	(9,888)	76,341	1,176
Support Services:				
Pupils	763,735	648,095	552,119	490,581
Instructional Staff	438,516	274,789	522,393	388,649
Board of Education	103,460	103,460	54,397	54,397
Administration	1,836,471	1,683,042	1,808,024	1,710,908
Fiscal	777,515	707,925	764,009	718,405
Business	140,717	140,717	163,487	163,487
Operation and Maintenance of Plant	2,161,326	2,058,532	2,138,075	2,037,805
Pupil Transportation	2,538,393	2,351,913	1,969,931	1,812,401
Central	78,601	49,426	35,798	11,934
Operation of Non-Instructional Services:				
Food Service Operations	1,268,750	194,630	1,296,794	177,013
Extracurricular Activities	231,539	170,827	225,183	158,054
Interest and Fiscal Charges	414,918	414,918	439,677	439,677
Total	<u>\$25,938,370</u>	<u>\$19,539,354</u>	<u>\$24,682,252</u>	<u>\$20,450,720</u>

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

The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2014, approximately 71 percent of instructional activities were supported through taxes and other general revenues.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$20,249,416, expenditures of \$19,221,314, and other financing sources (uses) of (\$233,649). The General Fund's balance increased \$794,453. The School District remains financially cautious.

The fund balance of the Bond Retirement Debt Service Fund at June 30, 2014, is \$883,344, an increase of \$89,713 from the prior year due to debt service payments not exceeding the revenue received.

The fund balance of the School Facilities Capital Projects Fund at June 30, 2014, is \$3,064,210, a decrease of \$506,625. During fiscal year 2014, the School District returned Ohio School Facilities Monies from a project that was completed during fiscal year 2013.

General Fund Budgeting Highlights

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

During the course of fiscal 2014, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$19,898,410, above final estimates of \$19,375,761. The \$522,649 difference was mainly due to an increase in intergovernmental revenue actually received. Original estimates of \$18,938,981 were increased \$436,780 mainly in taxes and intergovernmental revenues. The General Fund had final appropriations of \$19,951,952. This was \$58,491 above actual expenditures of \$19,893,461. This is due to the School District budgeting for contingencies and monitoring expenditures to keep them under budget.

The School District's ending unobligated General Fund balance was \$8,207,246.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$37,199,354 invested in land, construct in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

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

Table 4
 Capital Assets
 (Net of Depreciation)
 Governmental Activities

	2014	2013
Land	\$348,164	\$348,164
Construction in Progress	19,217	0
Land Improvements	145,817	163,307
Buildings and Improvements	35,201,326	36,469,012
Furniture and Equipment	785,349	811,614
Vehicles	699,481	851,742
Totals	\$37,199,354	\$38,643,839

See Note 9 to the basic financial statements for more information on capital assets.

Debt

At June 30, 2014, the School District had \$8,277,010 in bonds, notes, and capital leases outstanding.

Table 5
 Outstanding Debt, at Fiscal Year End
 Governmental Activities

	2014	2013
1998 School Bus Acquisition Bonds	\$0	\$65,000
1999 School Bus Acquisition Bonds	0	45,000
2000 School Facilities Construction and Improvement Bonds	783,183	1,126,285
2006 School Facilities Construction and Improvement Refunding Bonds	4,100,046	4,123,473
2007 School Facilities Construction and Improvement Bonds	3,162,980	3,259,253
Ohio Department of Education Loan	67,475	80,970
Capital Leases	163,326	209,498
Totals	\$8,277,010	\$8,909,479

See Notes 15 and 16 to the basic financial statements for more information on debt.

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

Current Issues

Over the past several years, the School District has controlled spending levels to build a cash balance. The School District receives approximately 20 percent of its funding from local taxes. The rest of the revenues come from State and federal monies. The School District does not expect any additional revenue from any of these sources in the near future.

The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to ensure financial stability.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Susan Gable, Treasurer/CFO at Morgan Local School District, P.O. Box 509, McConnelsville, Ohio 43756. Or E-Mail at mc_sgable@seovec.org.

Morgan Local School District, Ohio

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$15,593,259
Accounts Receivable	2,181
Materials and Supplies Inventory	25,216
Inventory Held for Resale	15,363
Intergovernmental Receivable	1,543,014
Prepaid Items	412,589
Property Taxes Receivable	5,555,015
Nondepreciable Capital Assets	367,381
Depreciable Capital Assets, Net	<u>36,831,973</u>
<i>Total Assets</i>	<u>60,345,991</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>152,345</u>
Liabilities	
Accounts Payable	176,399
Accrued Wages and Benefits Payable	1,637,637
Matured Compensated Absences Payable	14,355
Accrued Interest Payable	20,759
Vacation Benefits Payable	44,663
Intergovernmental Payable	507,752
Claims Payable	144,065
Long-Term Liabilities:	
Due Within One Year	700,972
Due In More Than One Year	<u>8,247,356</u>
<i>Total Liabilities</i>	<u>11,493,958</u>
Deferred Inflows of Resources	
Property Taxes	<u>4,686,250</u>
Net Position	
Net Investment in Capital Assets	30,121,808
Restricted for:	
Debt Service	1,541,519
Capital Projects	3,163,748
School Facilities Construction	38,499
Library Materials:	
Expendable	537
Nonexpendable	5,000
Other Purposes	2,315,337
Unrestricted	<u>7,131,680</u>
<i>Total Net Position</i>	<u><u>\$44,318,128</u></u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	
Governmental Activities				
Instruction:				
Regular	\$10,415,433	\$233,290	\$1,462,680	(\$8,719,463)
Special	3,523,844	3,070	2,532,953	(987,821)
Vocational	1,064,596	1,842	19,070	(1,043,684)
Intervention	180,556	0	190,444	9,888
Support Services:				
Pupils	763,735	8,596	107,044	(648,095)
Instructional Staff	438,516	0	163,727	(274,789)
Board of Education	103,460	0	0	(103,460)
Administration	1,836,471	16,125	137,304	(1,683,042)
Fiscal	777,515	409	69,181	(707,925)
Business	140,717	0	0	(140,717)
Operation and Maintenance of Plant	2,161,326	930	101,864	(2,058,532)
Pupil Transportation	2,538,393	79,186	107,294	(2,351,913)
Central	78,601	0	29,175	(49,426)
Operation of Non-Instructional Services:				
Food Service Operations	1,268,750	303,039	771,081	(194,630)
Extracurricular Activities	231,539	60,712	0	(170,827)
Interest and Fiscal Charges	414,918	0	0	(414,918)
<i>Totals</i>	<u>\$25,938,370</u>	<u>\$707,199</u>	<u>\$5,691,817</u>	<u>(19,539,354)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				4,257,171
Debt Service				925,573
Classroom Facilities Maintenance				148,283
Grants and Entitlements not Restricted to Specific Programs				14,180,355
Interest				48,005
Gain on Sale of Capital Assets				31,447
Gifts and Donations not Restricted to Specific Programs				10,000
Miscellaneous				66,764
<i>Total General Revenues</i>				<u>19,667,598</u>
<i>Change in Net Position</i>				128,244
<i>Net Position Beginning of Year</i>				<u>44,189,884</u>
<i>Net Position End of Year</i>				<u>\$44,318,128</u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2014*

	General Fund	Bond Retirement Debt Service Fund	School Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$8,363,988	\$819,514	\$3,064,210	\$2,043,948	\$14,291,660
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	38,499	0	0	0	38,499
Receivables:					
Property Taxes	4,487,784	897,773	0	169,458	5,555,015
Accounts	2,021	0	0	160	2,181
Intergovernmental	100,021	0	0	1,442,993	1,543,014
Interfund	310,232	0	0	0	310,232
Prepaid Items	446,703	0	0	0	446,703
Materials and Supplies Inventory	22,354	0	0	2,862	25,216
Inventory Held for Resale	0	0	0	15,363	15,363
<i>Total Assets</i>	<u>\$13,771,602</u>	<u>\$1,717,287</u>	<u>\$3,064,210</u>	<u>\$3,674,784</u>	<u>\$22,227,883</u>
Liabilities					
Accounts Payable	\$133,079	\$0	\$0	\$43,320	\$176,399
Accrued Wages and Benefits Payable	1,444,486	0	0	193,151	1,637,637
Matured Compensated Absences Payable	14,355	0	0	0	14,355
Interfund Payable	0	0	0	310,232	310,232
Intergovernmental Payable	466,814	0	0	40,938	507,752
<i>Total Liabilities</i>	<u>2,058,734</u>	<u>0</u>	<u>0</u>	<u>587,641</u>	<u>2,646,375</u>
Deferred Inflows of Resources					
Property Taxes	3,781,184	760,341	0	144,725	4,686,250
Unavailable Revenue	422,129	73,602	0	598,295	1,094,026
<i>Total Deferred Inflows of Resources</i>	<u>4,203,313</u>	<u>833,943</u>	<u>0</u>	<u>743,020</u>	<u>5,780,276</u>
Fund Balances					
Nonspendable	469,057	0	0	7,862	476,919
Restricted	38,499	883,344	3,064,210	1,874,471	5,860,524
Committed	125,000	0	0	0	125,000
Assigned	1,124,461	0	0	483,815	1,608,276
Unassigned	5,752,538	0	0	(22,025)	5,730,513
<i>Total Fund Balances</i>	<u>7,509,555</u>	<u>883,344</u>	<u>3,064,210</u>	<u>2,344,123</u>	<u>13,801,232</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$13,771,602</u>	<u>\$1,717,287</u>	<u>\$3,064,210</u>	<u>\$3,674,784</u>	<u>\$22,227,883</u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances		\$13,801,232
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		37,199,354
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds:		
Delinquent Property Taxes	465,269	
Intergovernmental	590,027	
Miscellaneous	38,730	1,094,026
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position.		1,084,921
Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		152,345
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.		(20,759)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(44,663)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Improvement Bonds Payable	(8,046,209)	
Loans Payable	(67,475)	
Capital Lease Payable	(163,326)	
Sick Leave Benefits Payable	(671,318)	(8,948,328)
Net Position of Governmental Activities		\$44,318,128

See accompanying notes to the basic financial statements

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

	General Fund	Bond Retirement Debt Service Fund	School Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$4,470,994	\$974,269	\$0	\$164,353	\$5,609,616
Intergovernmental	15,364,216	129,059	0	3,964,966	19,458,241
Interest	42,495	0	5,319	237	48,051
Customer Services	79,186	0	0	303,039	382,225
Tuition and Fees	242,865	0	0	20,467	263,332
Extracurricular Activities	0	0	0	60,712	60,712
Gifts and Donations	12,375	0	0	10,632	23,007
Rent	930	0	0	0	930
Miscellaneous	36,355	0	0	0	36,355
<i>Total Revenues</i>	<u>20,249,416</u>	<u>1,103,328</u>	<u>5,319</u>	<u>4,524,406</u>	<u>25,882,469</u>
Expenditures					
Current:					
Instruction:					
Regular	8,731,373	0	0	853,336	9,584,709
Special	1,928,292	0	0	1,316,274	3,244,566
Vocational	1,095,712	0	0	20,429	1,116,141
Intervention	0	0	0	180,556	180,556
Support Services:					
Pupils	580,955	0	0	102,964	683,919
Instructional Staff	358,601	0	0	56,694	415,295
Board of Education	103,460	0	0	0	103,460
Administration	1,566,924	0	0	129,555	1,696,479
Fiscal	637,033	36,988	0	97,814	771,835
Business	123,485	0	0	0	123,485
Operation and Maintenance of Plant	1,932,552	0	68,948	39,427	2,040,927
Pupil Transportation	1,900,439	0	442,996	41,604	2,385,039
Central	43,780	0	0	33,854	77,634
Operation of Non-Instructional Services	0	0	0	1,081,018	1,081,018
Extracurricular Activities	165,066	0	0	64,484	229,550
Capital Outlay	0	0	0	301,966	301,966
Debt Service:					
Principal Retirement	46,172	458,071	0	0	504,243
Interest and Fiscal Charges	7,470	268,132	0	0	275,602
CAB Accretion	0	250,424	0	0	250,424
<i>Total Expenditures</i>	<u>19,221,314</u>	<u>1,013,615</u>	<u>511,944</u>	<u>4,319,975</u>	<u>25,066,848</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>1,028,102</u>	<u>89,713</u>	<u>(506,625)</u>	<u>204,431</u>	<u>815,621</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	275,000	275,000
Transfers Out	(275,000)	0	0	0	(275,000)
Proceeds from Sale of Capital Assets	41,351	0	0	0	41,351
<i>Total Other Financing Sources (Uses)</i>	<u>(233,649)</u>	<u>0</u>	<u>0</u>	<u>275,000</u>	<u>41,351</u>
<i>Net Change in Fund Balance</i>	794,453	89,713	(506,625)	479,431	856,972
<i>Fund Balances Beginning of Year</i>	<u>6,715,102</u>	<u>793,631</u>	<u>3,570,835</u>	<u>1,864,692</u>	<u>12,944,260</u>
<i>Fund Balances End of Year</i>	<u>\$7,509,555</u>	<u>\$883,344</u>	<u>\$3,064,210</u>	<u>\$2,344,123</u>	<u>\$13,801,232</u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds \$856,972

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

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

Capital Asset Additions	497,859	
Current Year Depreciation	<u>(1,932,440)</u>	(1,434,581)

Capital Assets removed from the capital asset account on the statement of net position results in a gain or loss on disposal of capital assets on the statement of activities. (9,904)

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

Delinquent Property Taxes	(278,589)	
Grants	400,878	
Miscellaneous	<u>30,409</u>	152,698

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

General Obligation Bonds	215,000	
Refunding Bonds	70,000	
Capital Leases	46,172	
Loans	13,495	
Capital Appreciation Bonds	159,576	
Capital Appreciation Bond Accretion	<u>250,424</u>	754,667

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Bond Premiums	43,490	
Annual Accretion	(163,164)	
Amortization of Deferred Amount on Refunding	(18,089)	
Amortization of Discount	(2,524)	
Interest Payable	<u>971</u>	(139,316)

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

Vacation Benefits Payable	(8,076)	
Sick Leave Benefits Payable	<u>57,623</u>	49,547

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (101,839)

Change in Net Position of Governmental Activities \$128,244

See accompanying notes to the basic financial statements

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$3,830,328	\$4,139,373	\$4,215,962	\$76,589
Intergovernmental	14,730,274	14,849,021	15,322,232	473,211
Interest	75,000	75,000	42,471	(32,529)
Customer Services	55,713	55,713	79,186	23,473
Tuition and Fees	238,937	238,937	225,492	(13,445)
Gifts and Donations	2,500	2,500	10,000	7,500
Rent	2,000	2,000	610	(1,390)
Miscellaneous	4,229	13,217	2,457	(10,760)
<i>Total Revenues</i>	<u>18,938,981</u>	<u>19,375,761</u>	<u>19,898,410</u>	<u>522,649</u>
Expenditures				
Current:				
Instruction:				
Regular	12,405,216	14,559,710	8,782,731	5,776,979
Special	92,097	267,097	1,900,026	(1,632,929)
Vocational	236,687	236,687	1,069,630	(832,943)
Support Services:				
Pupils	2,344,478	288,231	663,881	(375,650)
Instructional Staff	100,449	43,668	368,954	(325,286)
Board of Education	69,760	69,760	120,095	(50,335)
Administration	351,463	176,463	1,600,035	(1,423,572)
Fiscal	486,502	486,502	654,351	(167,849)
Business	11,247	11,247	123,891	(112,644)
Operation and Maintenance of Plant	1,296,714	1,296,714	2,088,555	(791,841)
Pupil Transportation	2,006,083	2,165,887	2,309,878	(143,991)
Central	3,205	3,205	44,768	(41,563)
Extracurricular Activities	0	56,781	166,666	(109,885)
Capital Outlay	0	290,000	0	290,000
<i>Total Expenditures</i>	<u>19,403,901</u>	<u>19,951,952</u>	<u>19,893,461</u>	<u>58,491</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(464,920)</u>	<u>(576,191)</u>	<u>4,949</u>	<u>464,158</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	11,890	11,890	16,900	5,010
Refund of Prior Year Expenditures	35,000	56,376	78,780	22,404
Transfers Out	0	(305,000)	(400,000)	(95,000)
<i>Total Other Financing Sources (Uses)</i>	<u>46,890</u>	<u>(236,734)</u>	<u>(304,320)</u>	<u>(67,586)</u>
<i>Net Change in Fund Balance</i>	(418,030)	(812,925)	(299,371)	396,572
<i>Fund Balance Beginning of Year</i>	7,903,628	7,903,628	7,903,628	0
Prior Year Encumbrances Appropriated	602,989	602,989	602,989	0
<i>Fund Balance End of Year</i>	<u>\$8,088,587</u>	<u>\$7,693,692</u>	<u>\$8,207,246</u>	<u>\$513,554</u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Statement of Fund Net Position

Internal Service Fund

June 30, 2014

	<u>Self Insurance</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,263,100</u>
Current Liabilities	
Unearned Revenue	34,114
Claims Payable	<u>144,065</u>
<i>Total Liabilities</i>	<u>178,179</u>
Net Position	
Unrestricted	<u><u>\$1,084,921</u></u>

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2014*

	Self Insurance
Operating Revenues	
Charges for Services	\$3,075,625
Operating Expenses	
Purchased Services	480,100
Claims	2,697,364
<i>Total Operating Expenses</i>	3,177,464
<i>Change in Net Position</i>	(101,839)
<i>Net Position Beginning of Year</i>	1,186,760
<i>Net Position End of Year</i>	\$1,084,921

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$3,074,220
Cash Payments to Suppliers for Services	(480,100)
Cash Payments for Claims	(2,741,082)
<i>Net Cash Used for Operating Activities</i>	(146,962)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,410,062
<i>Cash and Cash Equivalents End of Year</i>	\$1,263,100
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$101,839)
Changes in Assets and Liabilities	
Decrease in Claims Payable	(43,718)
Decrease in Unearned Revenue	(1,405)
<i>Net Cash Used for Operating Activities</i>	(\$146,962)
See accompanying notes to the basic financial statements	

Morgan Local School District, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2014

	Private Purpose Trust	
	Parsons Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$14,434	\$50,000
Investments	100,000	0
Interest Receivable	146	0
<i>Total Assets</i>	<u>114,580</u>	<u>\$50,000</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$50,000</u>
Net Position		
Held in Trust for Scholarships	<u>\$114,580</u>	

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio
Statement of Changes in Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
	Parsons Scholarship
Additions	
Interest	\$174
Deductions	
Scholarships	3,000
<i>Change in Net Position</i>	(2,826)
<i>Net Position Beginning of Year</i>	117,406
<i>Net Position End of Year</i>	\$114,580

See accompanying notes to the basic financial statements

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is a countywide school district located in Morgan County, in the heart of Southeast Ohio, the Appalachian region of the State. The School District is nestled between Zanesville and Marietta on the scenic Muskingum River. Incorporating all of Morgan County's 421 square miles, the School District is, in terms of physical size, the third largest district in Ohio. The county is substantially rural with a population of nearly 15,000.

The School District is a consolidation of seven small communities. Prior to 1966, each community had a kindergarten through 12th grade building. In 1966, a consolidated high school was built to serve Morgan County and the seven different community buildings were converted to kindergarten through 8th grade buildings. In late 2002, the School District completed three new elementary schools and a new middle school. Seven old elementary buildings were sold by the School District.

The School District is staffed by 110 classified employees and 161 certificated personnel who provide services to 2,143 students and other community members. The School District currently operates five instructional buildings, one administrative office site, and one garage.

Reporting Entity:

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

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

The School District participates in two jointly governed organizations and three insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Metropolitan Educational Council, and the Ohio School Benefits Cooperative (OSBC). These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

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

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

B. Fund Accounting

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Governmental Funds:

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

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

Bond Retirement Debt Service Fund The Bond Retirement Debt Service Fund accounts for and reports property tax revenues restricted for the payment of general long-term obligation principal, interest, and related costs.

School Facilities Capital Projects Fund The School Facilities Capital Projects Fund accounts for and reports monies received from the State and debt issuances restricted to the construction of new school buildings.

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

Proprietary Funds:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund:

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

Fiduciary Funds:

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7).

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest earnings, tuition, grants, fees, and rentals.

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

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The Self-Insurance Fund reports unearned revenue for premiums received from the paying funds prior to the fiscal year the premiums are due.

Expenses/Expenditures

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

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

E. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment 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 fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except a portion of the private purpose trust fund and amounts in the flexible spending agency fund, are maintained in this pool. Individual fund integrity is maintained through School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2014, investments consisted of nonparticipating certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$42,495, which includes \$12,785 assigned from other School District funds.

The School District has a segregated bank account for the athletic account special revenue fund that is held separate from the School District's central bank account. This depository account is presented as "cash and cash equivalents in segregated accounts" since it is not deposited into the School District treasury. The athletic account had no cash balance at fiscal year-end.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by laws through constitutional provisions or enabling legislation. Restricted assets represent cash and cash equivalents required by Statute to be set-aside by the School District for budget stabilization restricted for school facilities construction. See Note 19 for additional information regarding set-asides.

J. Capital Assets

The School District's only capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings and Improvements	50 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 10 years

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

K. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided or used are classified as “interfund receivables/payables.” These amounts are eliminated on the Statement of Net Position.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as “vacation benefits payable”, rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year-end, taking into consideration any limits specified in the School District’s termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees with seventeen or more years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as “matured compensated absences payable” in the fund from which the employees who will receive the payment are paid.

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, long-term loans, and capital leases are recognized as a liability on the governmental fund financial statements when due.

N. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Net Position. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Morgan Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

O. Fund Balance

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

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

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

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

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

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

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

P. Bond Premiums and Discounts and Accounting Gains

On government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are accreted over the term of the bonds.

On the government fund financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Q. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations and federal and state grants restricted for specified purposes.

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

S. 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 - FUND BALANCES

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Fund Balances	General	Bond Retirement Debt Service	School Facilities Capital Projects	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$446,703	\$0	\$0	\$0	\$446,703
Materials and Supplies Inventory	22,354	0	0	2,862	25,216
Library Materials - Trust	0	0	0	5,000	5,000
<i>Total Nonspendable</i>	469,057	0	0	7,862	476,919
<u>Restricted for:</u>					
School Facilities Construction	38,499	0	0	0	38,499
Library Operations	0	0	0	537	537
Food Service Operations	0	0	0	284,069	284,069
Athletics and Music	0	0	0	1,721	1,721
Federal Grant Expenditures	0	0	0	2,728	2,728
Local Grant Expenditures	0	0	0	26,273	26,273
Preschool Operations	0	0	0	173	173
Teacher Development	0	0	0	61,637	61,637
Vocational Education	0	0	0	864	864
Special Needs Children	0	0	0	30,459	30,459
Straight A Network Grant	0	0	0	194,599	194,599
Debt Service Payments	0	883,344	0	0	883,344
Capital Improvements	0	0	3,064,210	1,271,411	4,335,621
<i>Total Restricted</i>	38,499	883,344	3,064,210	1,874,471	5,860,524
<u>Committed to:</u>					
Severance Payments	125,000	0	0	0	125,000
<i>Total Committed</i>	125,000	0	0	0	125,000
<u>Assigned to:</u>					
Purchases on Order	232,740	0	0	483,815	716,555
Public School Support	30,378	0	0	0	30,378
Assigned to Subsequent Year's Appropriations	861,343	0	0	0	861,343
<i>Total Assigned</i>	1,124,461	0	0	483,815	1,608,276
Unassigned:	5,752,538	0	0	(22,025)	5,730,513
<i>Total Fund Balances</i>	\$7,509,555	\$883,344	\$3,064,210	\$2,344,123	\$13,801,232

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 4 - ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2014:

	<u>Deficit</u>
Special Revenue Funds:	
Title II-A	\$17,686
IDEA Part B	4,038
State Grants	301

The deficits are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles (GAAP). The General Fund provides transfers to cover these deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balance

GAAP Basis	\$794,453
Revenue Accruals	(217,725)
Expenditure Accruals	56,174
Beginning:	
Unreported Cash	44
Prepaid Items	38,468
Negative cash advances to other funds	257,336
Ending:	
Unreported Cash	(68)
Prepaid Items	(446,703)
Negative cash advances to other funds	(309,364)
To reclassify excess of revenues and other sources of financial resources over expenditures into financial statement fund types	(122,877)
Encumbrances	<u>(349,109)</u>
Budget Basis	<u><u>(\$299,371)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$16,303,893 of the School District's bank balance of \$17,229,447 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 7 - PROPERTY TAXES

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

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

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

The School District receives property taxes from Morgan, Muskingum, and Washington Counties. The County Auditor of Morgan County periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2014, was \$328,179 in the General Fund, \$63,830 in the Bond Retirement Debt Service Fund, and \$11,487 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2013, was \$73,147 in the General Fund, \$15,105 in the Bond Retirement Debt Service Fund, and \$3,620 in the Classroom Facilities Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$190,482,610	83.17%	\$190,969,860	82.54%
Commerical/Industrial and Public Utility Real	17,314,810	7.56%	17,199,750	7.43%
Public Utility Personal	21,228,610	9.27%	23,211,080	10.03%
	<u>\$229,026,030</u>	<u>100.00%</u>	<u>\$231,380,690</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$37.63	\$37.39	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Other than delinquent property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies, that will not be received within one year.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amounts</u>
Straight A Funds	\$588,205
Title I	195,253
Race to the Top (Early College High School)	119,124
Race to the Top	108,446
IDEA Part B	103,471
Ohio Department of Education - Food Service	82,210
Teachers Incentive Grant	69,773
Title II-A	51,724
School Employment Retirement System Refund	38,730
Title VI-B, Rural and Low Income	31,043
Ohio Department of Job and Family Services	30,906
Race to the Top (OAC)	25,856
Ohio Department of Education - Foundation Adjustment	17,768
Mckinney Vento Homeless Assistance Program	17,724
Early Childhood Education	16,560
21st Century	14,970
Catastrophic Reimbursement	13,235
Morgan County	7,236
Carl Perkins	6,705
Race to the Top (Resident Educator)	2,100
Ohio Department of Taxation - Fuel Refund	1,552
Bureau of Workers Compensation Refund	423
	<u>\$1,543,014</u>

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2014</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$348,164	\$0	\$0	\$348,164
Construction in Progress	0	19,217	0	19,217
Total Capital Assets not being Depreciated	<u>348,164</u>	<u>19,217</u>	<u>0</u>	<u>367,381</u>
Depreciable Capital Assets:				
Land Improvements	2,722,838	0	0	2,722,838
Buildings and Improvements	48,339,251	282,749	(8,550)	48,613,450
Furniture and Equipment	3,335,838	177,275	(180,317)	3,332,796
Vehicles	3,244,340	18,618	(494,666)	2,768,292
Total Capital Assets being Depreciated	<u>57,642,267</u>	<u>478,642</u>	<u>(683,533)</u>	<u>57,437,376</u>
Less Accumulated Depreciation				
Land Improvements	(2,559,531)	(17,490)	0	(2,577,021)
Buildings and Improvements	(11,870,239)	(1,550,435)	8,550	(13,412,124)
Furniture and Equipment	(2,524,224)	(202,135)	178,912	(2,547,447)
Vehicles	(2,392,598)	(162,380)	486,167	(2,068,811)
Total Accumulated Depreciation	<u>(19,346,592)</u>	<u>(1,932,440) *</u>	<u>673,629</u>	<u>(20,605,403)</u>
Total Capital Assets being Depreciated, Net	<u>38,295,675</u>	<u>(1,453,798)</u>	<u>(9,904)</u>	<u>36,831,973</u>
Capital Assets, Net	<u>\$38,643,839</u>	<u>(\$1,434,581)</u>	<u>(\$9,904)</u>	<u>\$37,199,354</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$884,218
Special	252,064
Vocational	63,466
Support Services:	
Pupils	76,457
Instructional Staff	20,007
Administration	145,096
Fiscal	1,829
Business	15,920
Operation and Maintenance of Plant	124,648
Pupil Transportation	163,835
Central	967
Food Service Operations	181,944
Extracurricular Activities	1,989
Total Depreciation Expense	<u>\$1,932,440</u>

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage:

Coverage provided by Ohio Casualty Insurance Group is as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$74,988,120
General Liability:	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Employee Benefits Liability (\$1,000 deductible):	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Educator's Legal Liability (\$2,500 deductible):	
Per occurrence	1,000,000
Annual Aggregate Limit	3,000,000
Automobile Liability (\$1,000 Comprehensive/\$1,000 collision):	
Bodily Injury and Property Damage (each accident)	1,000,000
Other Than Auto Only, aggregate	1,000,000
Medical Payments	5,000
Uninsured Motorists (No deductible)	1,000,000

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

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control, and actuarial services to the GRP.

Medical, dental, vision, and prescription insurance is offered to employees through a self-insurance internal service fund. The School District contracts with a third party administrator to handle stop-loss coverage. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$144,065 reported in the internal service fund at June 30, 2014, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2013	\$215,708	\$2,572,623	2,600,548	\$187,783
2014	187,783	2,697,364	2,741,082	144,065

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$338,718, \$350,444, and \$293,326, respectively. For fiscal year 2014, 89.64 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor.

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

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

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,013,516 and \$35,169 for the fiscal year ended June 30, 2014, \$1,168,385 and \$27,231 for the fiscal year ended June 30, 2013, and \$1,032,792 and \$26,725 for the fiscal year ended June 30, 2012. For fiscal year 2014, 85.54 percent has been contributed for the DB plan and 86.08 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions to the DC and Combined Plans for fiscal year 2014 were \$39,927 made by the School District and \$31,371 made by the plan members. In addition, member contributions of \$27,633 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, there are four Board Members who have elected Social Security. The contribution rate is 6.2 percent of wages.

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on the SERS website at www.ohsers.org under Employers / Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$41,966 in surcharge.

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

The School District’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$46,966, \$45,877, and \$46,354, respectively. For fiscal year 2014, 6.80 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District’s contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$19,701, \$19,766, and \$17,171 respectively. For fiscal year 2014, 89.66 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$81,034, \$92,416, and \$81,920 respectively. For fiscal year 2014, 86.08 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified and administrative employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation days cannot be carried forward for more than one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for certified employees and a maximum of 230 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for certified and 55 days for classified employees.

B. Other Employee Insurances

The School District provides life insurance and accidental death and dismemberment insurance through Metropolitan Education Council, in the amount of \$30,000 for all employees.

NOTE 14 - INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$310,232	\$0
Other Nonmajor Governmental Funds:		
Early Childhood Education	0	3,584
Race to the Top Grant	0	159,088
Part-B Idea Grant	0	23,302
Title I	0	46,388
Vocational Education	0	1,341
Title II-A	0	58,496
Federal Grants	0	18,033
Total All Funds	<u>\$310,232</u>	<u>\$310,232</u>

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 budgetary authorization.

The School District transferred \$275,000 from the General Fund to the Permanent Improvement Capital Projects Fund for various construction projects for the School District.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In the prior fiscal years, the School District entered into capitalized leases for copier equipment. The lease meets the criteria of a capital lease as which is defined as a lease which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances for the governmental funds. Principal payments in 2014 were \$46,172. Book value related to this lease is as follows:

	<u>Governmental Activities</u>
Equipment	\$242,948
Less Accumulated Depreciation	<u>(72,884)</u>
Total June 30, 2014	<u><u>\$170,064</u></u>

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

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$53,642
2016	53,643
2017	53,643
2018	13,410
Total	<u>174,338</u>
Less: Amount Representing Interest	<u>(11,012)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$163,326</u></u>

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 16 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Due Within One Year
School Bus Acquisition Bonds:					
1998 School Bus Acquisition					
Bonds - 4.5% to 4.8%	\$65,000	\$0	\$65,000	\$0	\$0
1999 School Bus Acquisition					
Bonds - 4.45% to 4.75%	45,000	0	45,000	0	0
Total School Bus Acquisition Bonds	<u>110,000</u>	<u>0</u>	<u>110,000</u>	<u>0</u>	<u>0</u>
2004 Ohio Department of Education					
Construction Loan - 0%	80,970	0	13,495	67,475	13,495
Total ODE Loan	<u>80,970</u>	<u>0</u>	<u>13,495</u>	<u>67,475</u>	<u>13,495</u>
2000 School Facilities Construction and Improvement General Obligation Bonds:					
Original Issue of Capital Appreciation					
Bonds - 21.947% - 21.861%	451,077	0	159,576	291,501	149,649
Accretion on Capital Appreciation					
Bonds	675,208	66,898	250,424	491,682	265,351
Total 2000 School Facilities GO Bonds	<u>1,126,285</u>	<u>66,898</u>	<u>410,000</u>	<u>783,183</u>	<u>415,000</u>
2006 School Facilities Construction and Improvement Refunding Bonds:					
Serial Bonds - 4.10%	3,190,000	0	0	3,190,000	0
Term Bonds - 3.80-4.00%	225,000	0	70,000	155,000	75,000
Original Issue of Capital Appreciation					
Bonds - 14.276%	234,993	0	0	234,993	0
Capital Appreciation Bonds:					
Accretion	357,591	84,866	0	442,457	0
Premium	139,672	0	40,817	98,855	0
Discount	(23,783)	0	(2,524)	(21,259)	0
Total 2006 School Facilities Refunding Bonds	<u>4,123,473</u>	<u>84,866</u>	<u>108,293</u>	<u>4,100,046</u>	<u>75,000</u>
2007 School Facilities Construction and Improvement General Obligation Bonds:					
Serial Bonds - 4.00%	810,000	0	105,000	705,000	105,000
Term Bonds - 3.15-4.35%	2,275,000	0	0	2,275,000	0
Original Issue of Capital Appreciation					
Bonds - 10.171%	70,000	0	0	70,000	0
Capital Appreciation Bonds Accretion	47,317	11,400	0	58,717	0
Premium	56,936	0	2,673	54,263	0
Total 2007 School Facilities GO Bonds	<u>3,259,253</u>	<u>11,400</u>	<u>107,673</u>	<u>3,162,980</u>	<u>105,000</u>
Capital Leases	209,498	0	46,172	163,326	48,036
Sick Leave Benefits Payable	728,941	101,572	159,195	671,318	44,441
Total Long-Term Obligations	<u>\$9,638,420</u>	<u>\$264,736</u>	<u>\$954,828</u>	<u>\$8,948,328</u>	<u>\$700,972</u>

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

On September 1, 1998, and April 15, 1999, the School District issued \$725,000 and \$520,000, respectively, in unvoted school bus acquisition bonds for the purpose of acquiring school buses. Both bonds were issued for a 15 year period with final maturity during fiscal year 2014. The debt was repaid through tax revenue allocations from the General Fund to the Bond Retirement Debt Service Fund to meet current fiscal year obligations. These bonds were retired during fiscal year 2014.

During fiscal year 2004, the School District entered into a loan agreement with the Ohio Department of Education for \$500,000. The loan is broken out into two components: \$202,424 for assisting with construction costs of workforce education facilities to be repaid in 30 equal semiannual installments beginning July, 2005, and \$297,576 for assisting with the purchase of workforce education equipment to be repaid in 10 equal semiannual installments beginning July, 2005. The loans were used by the School District to replace the roof on the vocational building. The loans are interest free and are being paid out of the Bond Retirement Debt Service Fund. The equipment loan portion of this agreement was paid off during fiscal year 2009.

On April 1, 2000, the School District issued \$6,996,905 in voted general obligation bonds for constructing school buildings. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$2,165,000, \$4,060,000, and \$771,905, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund, with the proceeds of a 2.76 mill voted property tax levy. The term bonds were refunded in fiscal year 2007 (see discussion below). The liability for the remaining bonds, consisting of serial and capital appreciation bonds, is recorded in the Statement of Net Position. Final payment on the serial bonds was made in fiscal year 2011. The capital appreciation bonds mature (matured) in fiscal years 2012 thru 2016. The maturity amount of the bonds is \$1,980,000. For the fiscal year 2014, \$66,898 was accreted for a total bond value of \$783,182. The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

On July 5, 2006, the School District issued \$4,059,993 in refunding bonds to retire \$4,060,000 of outstanding school improvement term bonds that had been issued in 2000. \$4,356,810 (after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The bondholders of the refunded bonds were paid on December 1, 2010.

The current interest bonds due December 1, 2015, were subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
2012	\$70,000
2013	70,000
2014	75,000

Unless otherwise called for redemption the remaining \$80,000 principal amount of the bonds due December 1, 2015, is to be paid at stated maturity.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

The 2006 capital appreciation bonds were sold at a premium of \$424,831. For fiscal year 2014, \$40,817 was amortized for total amortization outstanding of \$98,855. The capital appreciation bonds will mature in fiscal year 2018. The maturity amount of the bonds is \$1,055,000. For the fiscal year 2014, \$84,866 was accreted for a total bond value of \$677,450.

On October 18, 2007, the School District issued \$3,600,000 in voted general obligation bonds for improvements to the high school building. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,255,000, \$2,275,000, and \$70,000, respectively. The bonds will be retired from the Bond Retirement Debt Service Fund, with the proceeds of a 1.32 mill voted property tax levy.

The current interest bonds maturing December 1, 2034, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
2029	\$180,000
2030	185,000
2031	195,000
2032	205,000
2033	215,000

The remaining principal amount of the bonds (\$220,000) will mature at the stated maturity on December 1, 2034.

The 2007 capital appreciation bonds will mature in fiscal year 2022. The maturity amount of the bonds is \$270,000. For the fiscal year 2014, \$11,400 was accreted for a total bond value of \$128,717.

Principal requirements to maturity on the Ohio Department of Education Loan are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>
2015	\$13,495
2016	13,495
2017	13,495
2018	13,495
2019	13,495
Total	<u>\$67,475</u>

Principal and interest requirements to retire the 2000 general obligation bonds outstanding at June 30, 2014, were as follows:

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Fiscal Year	Capital Appreciation	
	Principal	Interest
Ending		
2015	\$149,649	\$265,351
2016	141,852	283,148
Total	<u>\$291,501</u>	<u>\$548,499</u>

Principal and interest requirements to retire the 2006 refunding bonds outstanding at June 30, 2014, were as follows:

Fiscal Year	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
Ending						
2015	\$0	\$0	\$75,000	\$135,490	\$0	\$0
2016	0	65,395	80,000	66,995	0	0
2017	0	130,790	0	0	125,029	399,971
2018	0	130,790	0	0	109,964	420,036
2019	540,000	119,720	0	0	0	0
2020-2023	2,650,000	225,091	0	0	0	0
Total	<u>\$3,190,000</u>	<u>\$671,786</u>	<u>\$155,000</u>	<u>\$202,485</u>	<u>\$234,993</u>	<u>\$820,007</u>

Principal and interest requirements to retire the 2007 general obligation bonds outstanding at June 30, 2014, were as follows:

Fiscal Year	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
Ending						
2015	\$105,000	\$122,912	\$0	\$0	\$0	\$0
2016	110,000	118,612	0	0	0	0
2017	115,000	114,112	0	0	0	0
2018	120,000	109,412	0	0	0	0
2019	125,000	155,518	0	0	0	0
2020-2024	130,000	104,512	275,000	424,347	70,000	200,000
2025-2029	0	0	800,000	395,310	0	0
2030-2034	0	0	980,000	158,339	0	0
2035	0	0	220,000	4,785	0	0
Total	<u>\$705,000</u>	<u>\$725,078</u>	<u>\$2,275,000</u>	<u>\$982,781</u>	<u>\$70,000</u>	<u>\$200,000</u>

The School District's overall legal debt margin was \$14,786,112, with an unvoted debt margin of \$231,381 at June 30, 2014.

Capital leases will be paid from the General Fund. Compensated absences will be paid from the General Fund and the Food Service Special Revenue Funds.

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 27 participants consisting of school districts in eight southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2014, the School District paid \$91,619 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2014, the School District's membership fee was \$325. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

NOTE 18 - INSURANCE PURCHASING POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the plan. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

B. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 280 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 57 counties in Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The School District participates in the insurance purchasing pool. The governing board of MEC is composed of either a school administrator, a designated representative or a member of the board of education for each participating school district in Franklin County and one representative from each county outside of Franklin County.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The Council exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Financial information may be obtained from the Metropolitan Educational Council, Cindy Nye, who serves as interim fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

C. Ohio School Benefits Cooperative (OSBC)

The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants pay an initial \$500 membership fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The School District participates in the second option. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. During fiscal year 2014, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, dental, and vision coverage.

NOTE 19 - SET-ASIDE CALCULATIONS

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may, at the discretion of the board, be returned to the school district's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain the refunds from the Bureau of Workers' Compensation in the budget reserve pursuant to State Statute and at June 30, 2014, this continues to be set aside for school facility construction.

Morgan Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Balance as of June 30, 2013	\$0	\$76,683
Current Year Set-aside Requirement	335,059	0
Offsetting Credits	(156,486)	0
Qualifying Disbursements	(680,738)	(38,184)
Total	<u>(\$502,165)</u>	<u>\$38,499</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$38,499</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

NOTE 20 - DONOR-RESTRICTED ENDOWMENTS

The School District's permanent fund includes a donor-restricted endowment. Net Position - Library Materials – Nonexpendable of \$5,000 represents the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is \$537 and is included as Net Position – Library Materials – Expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicated that the interest should be used to purchase library materials each fiscal year.

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

As of June 30, 2014, the School District is currently not a party to any material legal proceedings.

Morgan Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 22 - SIGNIFICANT COMMITMENTS

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of governmental encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$351,209
Nonmajor Funds	<u>226,743</u>
Total	<u><u>\$577,952</u></u>

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**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

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

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013/2014	10.555	\$ 50,248	\$ 50,248
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	188,491	188,491
National School Lunch Program	2013/2014	10.555	451,486	451,486
Cash Assistance Subtotal			<u>639,977</u>	<u>639,977</u>
Total Child Nutrition Cluster			<u>690,225</u>	<u>690,225</u>
Total U.S. Department of Agriculture			690,225	690,225
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Grants to Local Educational Agencies	2013 2014	84.010	130,438 <u>739,725</u>	94,491 <u>783,058</u>
Total Title 1 Grants to Local Educational Agencies			870,163	877,549
Special Education Cluster:				
Special Education - Grants to States	2013 2014	84.027	97,554 <u>345,819</u>	77,546 <u>369,113</u>
Total Special Education - Grants to States			443,373	446,659
Special Education - Preschool Grants	2014	84.173	8,880	8,880
Total Special Education Cluster			<u>452,253</u>	<u>455,539</u>
Career and Technical Education - Basic Grants to States	2013 2014	84.048	6,466 <u>37,247</u>	5,611 <u>38,583</u>
Total Career and Technical Education			43,713	44,194
Education for Homeless Children and Youth	2013 2014	84.196	13,035 <u>21,085</u>	10,814 <u>23,270</u>
Total Education for Homeless Children and Youth			34,120	34,084
Twenty-First Century Community Learning Centers	2012 2013 2014	84.287	 29,608 <u>86,030</u>	71,460 9,553 <u>100,590</u>
Total Twenty-First Century Community Learning Centers			115,638	181,603
Rural Education	2013 2014	84.358	15,943 <u>29,600</u>	4,474 <u>33,064</u>
Total Rural Education			45,543	37,538
Improving Teacher Quality State Grants	2013 2014	84.367	21,130 <u>113,022</u>	18,645 <u>128,075</u>
Total Improving Teacher Quality State Grants			134,152	146,720
<i>Passed through Ohio Appalachian Collaborative</i>				
Teacher Incentive Fund Cluster:				
Teacher Incentive Fund	2013/2014	84.374	405,170	407,459
ARRA - Teacher Incentive Fund	2013/2014	84.385	<u>38,358</u>	<u>35,363</u>
Total Teacher Incentive Fund Cluster			443,528	442,822

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>				
<i>Passed through Ohio Department of Education</i>				
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2013	84.395	\$ 33,212	\$ 3,974
	2014		35,455	48,699
Total ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			<u>68,667</u>	<u>52,673</u>
<i>Passed through Ohio Appalachian Collaborative</i>				
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2013/2014	84.395	<u>337,570</u>	<u>370,359</u>
Total - ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			<u>406,237</u>	<u>423,032</u>
Total U.S. Department of Education			<u>2,545,347</u>	<u>2,643,081</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES</u>				
<i>Passed through Ohio Department of Job and Family Services:</i>				
Medical Assistance Program	2013	93.778	<u>93,045</u>	<u>93,045</u>
Total U.S. Department of Health and Human Services			<u>93,045</u>	<u>93,045</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 3,328,617</u>	<u>\$ 3,426,351</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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

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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

Morgan Local School District
Morgan County
65 W. Union Street
McConnelsville, Ohio 43756

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 the Morgan Local School District, Morgan County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School 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 School 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 School 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 16, 2015



Dave Yost • Auditor of State

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

Morgan Local School District
Morgan County
65 W. Union Street
McConnelsville, Ohio 43756

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Morgan Local School District's, Morgan County, Ohio (the School 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 the School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

The School 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 School District's compliance for the School District's major federal program 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 School 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 School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The School 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 School 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 each 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 School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, 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's 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 might be material weaknesses. However material weaknesses may exist that have not been identified.

This report only describes the scope of our tests of internal control over compliance 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 16, 2015

**MORGAN LOCAL SCHOOL DISTRICT
MORGAN 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)?	No
<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): <ul style="list-style-type: none"> • Title 1 Grants to Local Educational Agencies – 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**

None

3. FINDINGS FOR FEDERAL AWARDS

None

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MORGAN LOCAL SCHOOL DISTRICT

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2015**