



Dave Yost • Auditor of State



**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

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CHAMPAIGN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Urbana City School District  
Champaign County  
711 Wood Street  
Urbana, Ohio 43078

To the Board of Education:

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

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Urbana City School District, Champaign County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2.D describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Urbana City School District, Champaign County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.D.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2.D of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is 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 this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and 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 Information*

We applied no procedures to Management's Discussion & Analysis or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 10, 2016

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**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

The discussion and analysis of the Urbana City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- In total, the net position of governmental activities increased \$35,882,309, which represents a 384.69% increase from 2014.
- General receipts accounted for \$55,667,357 in receipts or 90.86% of all receipts. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$5,601,147 or 9.14% of all receipts.
- The District had \$25,386,195 in cash disbursements related to governmental activities; \$5,601,147 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$55,667,357 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the building fund and the classroom facilities fund. The general fund had \$24,127,644 in receipts and other financing sources and \$21,093,441 in disbursements and other financing uses. During fiscal 2015, the general fund's fund balance increased \$3,034,203 from a balance of \$4,352,668 to a balance of \$7,386,871.
- The building fund had \$7,507,327 in receipts and other financing sources and \$17,464 in disbursements. During fiscal 2015, the building fund's fund balance increased \$7,489,863 from a zero balance to a balance of \$7,489,863.
- The classroom facilities fund had \$24,839,499 in receipts and other financing sources and \$162,226 in disbursements. During fiscal 2015, the classroom facilities fund's fund balance increased \$24,677,273 from a zero balance to a balance of \$24,677,273.

**Using the Cash Basis Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net position – cash basis and statement of activities – cash basis provide information about the activities of the District as a whole, presenting an aggregate view of the District's cash-basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, there are three major funds. The general fund is the largest major fund.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

**Reporting the District as a Whole**

***Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis***

The statement of net position – cash basis and the statement of activities – cash basis answer the question, “How did the District perform financially during 2015?” These statements include only the District’s net position using the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the District’s net position and changes in net position on a cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the cash basis financial position of the 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 District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position – cash basis and statement of activities – cash basis, the governmental activities include the District’s programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District’s statement of net position – cash basis and statement of activities – cash basis can be found on pages 15-16 of this report.

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

***Fund Financial Statements***

The analysis of the District’s major governmental funds begins on page 10. Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds. The District’s major governmental funds are the general fund, building fund, and classroom facilities fund.

***Governmental Funds***

Most of the District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District’s operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. The relationship (or differences) between governmental activities (reported in the statement of net position – cash basis and statement of activities – cash basis) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-20 of this report.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical benefits self-insurance. The basic proprietary fund financial statements can be found on pages 22-23 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position – cash basis and changes in fiduciary net position – cash basis on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-58 of this report.

***Required Supplemental Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net position liability. The supplementary information can be found on pages 59 through 63 of this report.

**The District as a Whole**

The table below provides a summary of the District's net position – cash basis at June 30, 2015 and June 30, 2014.

<b>Net Position - Cash Basis</b>		
	<b>Governmental Activities 2015</b>	<b>Governmental Activities 2014</b>
<b>Assets:</b>		
Equity in pooled cash and investments	\$45,209,877	\$9,327,568
<b>Net Cash Position:</b>		
Restricted	34,440,075	1,215,285
Unrestricted	10,769,802	8,112,283
Total net cash position	<u>\$45,209,877</u>	<u>\$9,327,568</u>

Total net position of the District increased \$35,882,309, which represents a 384.69% increase from the District's net position at June 30, 2014. A portion of the District's net position, \$34,440,075, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$10,769,802 may be used to meet the District's ongoing obligations to the students and creditors.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

The table below shows the change in cash basis net position for fiscal years 2015 and 2014.

<b>Change in Net Position - Cash Basis</b>		
	<b>Governmental Activities 2015</b>	<b>Governmental Activities 2014</b>
<b>Receipts:</b>		
<b>Program revenues:</b>		
Charges for services and sales	\$1,739,860	\$1,654,699
Operating grants and contributions	3,861,287	3,875,553
<b>General revenues:</b>		
Property taxes	9,973,292	8,794,911
Payment in lieu of taxes		1,279
Grants and entitlements	13,793,296	11,984,212
Proceeds of bonds	31,355,000	
Premium on bonds	407,636	
Investment earnings	26,883	25,421
Other	111,250	71,941
Total receipts	<u>61,268,504</u>	<u>26,408,016</u>
<b>Disbursements:</b>		
<b>Program disbursements:</b>		
<b>Instruction:</b>		
Regular	10,477,686	10,514,801
Special	4,744,745	4,661,458
Vocational	357,709	356,099
Other	30,127	14,079
<b>Support services:</b>		
Pupil	1,753,077	1,546,542
Instructional staff	646,243	492,169
Board of education	22,706	23,120
Administration	1,462,608	1,369,655
Fiscal	572,528	469,285
Business	358,454	358,455
Operations and maintenance	1,400,843	1,426,083
Pupil transportation	687,255	640,312
Central	123,251	64,786
<b>Operations of non-instructional services:</b>		
Food service operations	981,986	1,019,889
Other non-instructional services	85,219	123,737
Extracurricular activities	632,549	630,724
Facilities acquisition and construction	695,043	346,123
<b>Debt service:</b>		
Principal retirement		394,609
Interest and fiscal charges		16,740
Bond issuance costs	354,166	
Total disbursements	<u>25,386,195</u>	<u>24,468,666</u>
Change in net position	35,882,309	1,939,350
Net cash position at beginning of year	9,327,568	7,388,218
Net cash position at end of year	<u>\$45,209,877</u>	<u>\$9,327,568</u>

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

**Governmental Activities**

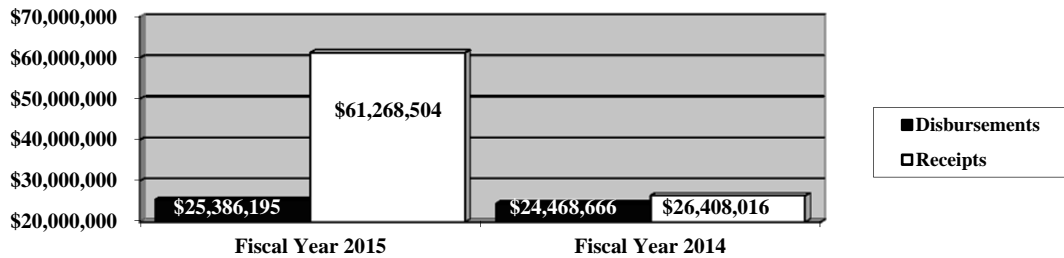
The net position of the District's governmental activities increased \$35,882,309. Total governmental disbursements of \$25,386,195 were offset by program receipts of \$5,601,147 and general receipts of \$55,667,357. Program receipts supported 22.06% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from bond proceeds and the premium on the bond proceeds. These receipts represent 51.84% of total governmental receipts. During the current fiscal year the District issued bonds for the purpose of participating in the Ohio School Facilities Assistance Program.

The largest category of the District's disbursements is for instructional programs. Instruction disbursements totaled \$15,610,267 or 61.49% of total governmental disbursements for fiscal 2015.

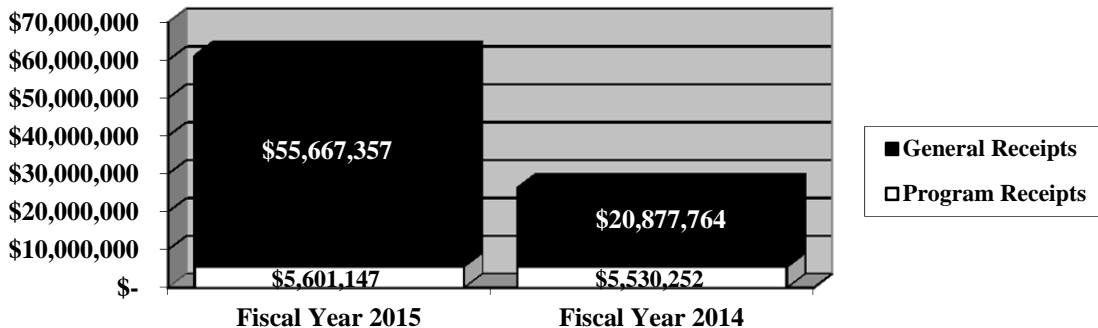
The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2015 and 2014.

**Governmental Activities - Receipts and Disbursements**



The graph below presents the District's governmental activities receipts for fiscal years 2015 and 2014.

**Governmental Activities - General and Program Receipts**



The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

**Governmental Activities**

	<b>Total Cost of Services 2015</b>	<b>Net Cost of Services 2015</b>	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2014</b>
<b>Program disbursements:</b>				
<b>Instruction:</b>				
Regular	\$10,477,686	\$9,390,121	\$10,514,801	\$9,424,209
Special	4,744,745	2,013,106	4,661,458	1,990,218
Vocational	357,709	273,948	356,099	276,381
Other	30,127	30,127	14,079	14,079
<b>Support services:</b>				
Pupil	1,753,077	1,725,231	1,546,542	1,512,228
Instructional staff	646,243	623,767	492,169	469,262
Board of education	22,706	22,706	23,120	23,120
Administration	1,462,608	1,422,561	1,369,655	1,337,266
Fiscal	572,528	572,528	469,285	469,285
Business	358,454	207,471	358,455	232,131
Operations and maintenance	1,400,843	1,358,846	1,426,083	1,411,166
Pupil transportation	687,255	581,603	640,312	517,451
Central	123,251	123,251	64,786	64,786
<b>Operations of non-instructional services:</b>				
Food service operations	981,986	(5,366)	1,019,889	(3,753)
Other non-instructional services	85,219	83,467	123,737	123,086
Extracurricular activities	632,549	312,472	630,724	320,027
Facilities acquisition and construction	695,043	695,043	346,123	346,123
<b>Debt service:</b>				
Principal retirement			394,609	394,609
Interest and fiscal charges			16,740	16,740
Bond issuance costs	354,166	354,166		
<b>Total disbursements</b>	<b><u>\$25,386,195</u></b>	<b><u>\$19,785,048</u></b>	<b><u>\$24,468,666</u></b>	<b><u>\$18,938,414</u></b>

The dependence upon tax and other general receipts for governmental activities is apparent, 75.00% of instruction activities are supported through taxes and other general receipts. For all governmental activities, general receipt support is 77.94%.

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$41,826,198, which is higher than last year's total of \$5,567,205.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	<b>Fund Balance June 30, 2015</b>	<b>Fund Balance June 30, 2014</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Change</b>
General	\$7,386,871	\$4,352,668	\$3,034,203	69.71 %
Building	7,489,863		7,489,863	100.00 %
Classroom Facilities	24,677,273		24,677,273	100.00 %
Other Governmental	2,272,191	1,214,537	1,057,654	87.08 %
<b>Total</b>	<b><u>\$41,826,198</u></b>	<b><u>\$5,567,205</u></b>	<b><u>\$36,258,993</u></b>	<b><u>651.30 %</u></b>

An analysis of the receipts and disbursements of the general fund is provided in the section below.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

**General Fund**

The District's general fund balance increased \$3,034,203. Tax receipts increased 1.84% or \$153,408 during 2015. The District received an \$842 increase in interest payments during 2015 compared to 2014. A 4.65% increase in tuition receipts during 2015 resulted from increases in tuition payments received for regular day school programs, open enrollment, and services provided by the District to the Urbana Community School, a component unit of the District. A 6.84% or \$910,322 increase in intergovernmental receipts during 2015 resulted from increased foundation payments received during the fiscal year.

During fiscal year 2015, a \$255,809 decrease in disbursements for instruction resulted from lower wages and benefits paid from the general fund during the year. Support services disbursements increased 6.53% due primarily to higher disbursements for administration, pupil, and instructional staff services. Debt service disbursement decreased \$349,916 from fiscal year 2014 to 2015, because the District paid off an energy conservation note and a capital lease during fiscal year 2014.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b>Receipts:</b>				
Taxes	\$8,506,295	\$8,352,887	\$153,408	.84 %
Tuition	890,331	850,765	39,566	4.65 %
Earnings on investments	26,123	25,281	842	3.33 %
Other revenues	417,414	308,465	108,949	35.32 %
Intergovernmental	14,221,447	13,311,125	910,322	6.84 %
Total	<u>\$24,061,610</u>	<u>\$22,848,523</u>	<u>\$1,213,087</u>	5.31 %
<b>Disbursements:</b>				
Instruction	\$13,909,080	\$14,164,889	(\$255,809)	(1.81) %
Support services	6,723,414	6,311,400	412,014	6.53 %
Non-instructional services	80,531	124,110	(43,579)	(35.11) %
Extracurricular activities	345,802	370,132	(24,330)	(6.57) %
Debt service		349,916	(349,916)	(100.00) %
Total	<u>\$21,058,827</u>	<u>\$21,320,447</u>	<u>(\$261,620)</u>	(1.23) %

**Building Fund**

The building fund had \$7,507,327 in receipts and other financing sources and \$17,464 in disbursements. During fiscal 2015, the building fund's fund balance increased \$7,489,863 from a zero balance to a balance of \$7,489,863.

**Classroom Facilities Fund**

The classroom facilities fund had \$24,839,499 in receipts and other financing sources and \$162,226 in disbursements. During fiscal 2015, the classroom facilities fund's fund balance increased \$24,677,273 from a zero balance to a balance of \$24,677,273.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

***General Fund Budgeting Highlights***

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

For the general fund, original and final budgeted receipts and other financing sources were \$22,272,000 and \$22,300,000, respectively. Actual revenues and other financing sources for fiscal year 2015 totaled \$23,971,390. This represents a \$1,671,390 increase from final budgeted revenues for 2015.

General fund original appropriations and final appropriations (appropriated disbursements including other financing uses) totaled \$23,977,983 and \$24,277,983, respectively. The actual budget basis disbursements and other financing uses for fiscal year 2015 totaled \$21,404,513, which represents a \$2,873,470 decrease from the final budget.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not report capital assets in the accompanying cash basis financial statements, but records payments for capital assets as disbursements when purchased. The District had facilities acquisition and construction disbursements of \$695,043 during the fiscal year.

***Debt Administration***

At June 30, 2015, the District had \$31,355,000 in general obligation bonds outstanding. The following table summarizes the notes and leases outstanding at 2015 and 2014. Of this total, \$800,000 is due within one year and \$30,555,000 is due within greater than one year. The following table summarizes the liabilities outstanding.

	<b>Outstanding Debt, Year-End</b>	
	<b>Governmental Activities 2015</b>	<b>Governmental Activities 2014</b>
General obligation bonds	<u>\$31,355,000</u>	<u>\$0</u>

See Note 7 to the basic financial statements for detail on the District's debt administration.



**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

**Current Related Financial Activities**

For many, many years, the District has had the need to update its facilities to streamline operations and to enhance learning space design for students. The Board of Education and administration have been working with the Ohio School Facilities Commission (OSFC) to develop a master facilities plan. In September of 2013, the District learned OSFC funding would comprise approximately 61% of approved project costs. It is important to capture this revenue source to relieve some of the financial burden from local taxpayers while continuing to meet the needs of students. In 2004, the Board proceeded to put its local share of the project on the ballot through the Expedited Local Partnership Program. Phase I of the project consists of a new PK-5 building and a building for grades 6 through 8. The high school is intended to comprise Phase II, to be built with State funds. Phase I failed to receive a favorable response from taxpayers in 2004 and in 2006. With the tax rate increasing because of deflating property values (complete loss of \$60,000,000 in tangible personal valuation) and community concerns, the Board decided to split Phase I and build a PK-5 building with Phase I, build a 6-8 middle school with Phase II and delay the high school OSFC project to Phase III. Phase I failed again in November of 2006, with less millage. The District estimates costs related to the proposed project will continue to increase as costs associated with new construction become higher over time. Additionally, the local share to be funded by the District will continue to increase as the tax base decreases, thus making a levy more difficult to pass. HB119 passed in June of 2007, with Governor Strickland's emphasis on speeding up the pace of these projects. As a result of the State refinancing other projects, the District was offered its State allocation in the spring of 2008, which the District deferred, recognizing the need to pass an operating levy and has declined in subsequent years for similar reasons. As a result of the 61% figure shown in September of 2013, the board voted to move forward with a community engagement process to determine the need and desire for new facilities. A Facility Steering Committee was convened and met over several months and presented a Master Plan to build a PK – 8 building and a new 9 – 12 building. The Board approved this master plan in June of 2014 and in July of 2014, voted to place a 7.15 mill bond issue on the ballot for November of 2014. This bond issued passed and the District began the process of securing funding for the project. A \$31,355,000 bond sale was held in March of 2015 to provide the local portion of the project, plus locally funding initiatives not included in the funding provided by OFCC. As a part of this process, the District secured a credit rating of A+ from Standard and Poor's. Debt repayments on the bond issue are scheduled to begin in December of 2015.

Facing a looming in deficit in 2014, the District made \$1,000,000 in cuts in 2013. Since that time, the District was fortunate to receive increases in state funding in both fiscal years 2014 and 2015. The increases in those years, combined with the budget reductions made in 2013, have resulted in a very favorable outlook for the District over the next five years. The carryover balances for each year have been strengthened and the District has made a concerted effort to keep expenditures below revenue sources. The District has a 5.9 mill operating renewal levy on the ballot in November 2015 and will need to renew a 14.8 mill operating levy in calendar year 2016.

The District formed a community school during fiscal year 2003. Urbana Community School was formed in the hopes of providing assistance to students who do not function or achieve academic success in the regular school system. The Urbana Community School opened its doors July 1, 2004. It remains a conversion community school as a separate autonomy with a Board of Directors, but under the wings of Urbana City Schools' administration and governance. It is our hope that these students will achieve academic success through the Community School.

The District has committed itself to educational and financial excellence for many years. The District has received an Excellent Rating from the Ohio Department of Education in both fiscal years 2009 and 2010 and once again in 2012 and unmodified opinions on its financial statement audits. Each challenge identified in this section is viewed as an opportunity for the District to continue its commitment to excellence. The District is committed to living within its financial means and working with the community it serves in order to maintain adequate resources to support its educational programs.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

It is very important that the Board and Administration continue to carefully and prudently plan in order to provide the resources necessary to meet the needs of the students in the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Mandy Hildebrand, Treasurer, Urbana City School District, 711 Wood St., Urbana, Ohio 43078.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2015**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Urbana Community School</b>
<b>Assets:</b>		
Equity in pooled cash and investments	\$45,209,877	\$696,914
Total assets	45,209,877	696,914
<b>Net cash position:</b>		
<b>Restricted for:</b>		
Capital projects	32,950,575	
Classroom facilities maintenance	131,749	
Debt service	1,045,849	
State funded programs	120,944	3,000
Federally funded programs	13,261	
Student activities	130,079	
Other purposes	47,618	
Unrestricted	10,769,802	693,914
Total net cash position	\$45,209,877	\$696,914

*See accompanying notes to the basic financial statements.*

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Urbana Community School
<b>Governmental activities:</b>					
<b>Instruction:</b>					
Regular	\$10,477,686	\$860,857	\$226,708	(\$9,390,121)	
Special	4,744,745	103,729	2,627,910	(2,013,106)	
Vocational	357,709		83,761	(273,948)	
Other	30,127			(30,127)	
<b>Support services:</b>					
Pupil	1,753,077		27,846	(1,725,231)	
Instructional staff	646,243		22,476	(623,767)	
Board of education	22,706			(22,706)	
Administration	1,462,608		40,047	(1,422,561)	
Fiscal	572,528			(572,528)	
Business	358,454	140,243	10,740	(207,471)	
Operations and maintenance	1,400,843	41,997		(1,358,846)	
Pupil transportation	687,255		105,652	(581,603)	
Central	123,251			(123,251)	
<b>Operation of non-instructional services:</b>					
Food service operations	981,986	286,021	701,331	5,366	
Other non-instructional services	85,219		1,752	(83,467)	
Extracurricular activities	632,549	307,013	13,064	(312,472)	
Facilities acquisition and construction	695,043			(695,043)	
Bond issuance costs	354,166			(354,166)	
<b>Total governmental activities</b>	25,386,195	1,739,860	3,861,287	(19,785,048)	
<b>Component Unit:</b>					
Urbana Community School	\$321,778	\$0	\$0		(321,778)
<b>General receipts:</b>					
<b>Property taxes levied for:</b>					
General purposes				8,661,051	
Debt service				1,015,023	
Capital projects				297,218	
Grants and entitlements not restricted to specific programs				12,802,046	225,686
Grants and entitlements restricted for					
Ohio Facilities Construction Commission				991,250	
Proceeds of bonds				31,355,000	2,149
Premium on bonds				407,636	
Investment earnings				26,883	
Miscellaneous				111,250	
<b>Total general receipts</b>				55,667,357	227,835
Change in net position				35,882,309	(93,943)
Net cash position at beginning of year				9,327,568	790,857
Net cash position at end of year				\$45,209,877	\$696,914

See accompanying notes to the basic financial statements.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments	\$7,386,123	\$7,489,863	\$24,677,273	\$2,272,191	\$41,825,450
<b>Restricted assets:</b>					
Equity in pooled cash and investments	748				748
Total assets	<u>7,386,871</u>	<u>7,489,863</u>	<u>24,677,273</u>	<u>2,272,191</u>	<u>41,826,198</u>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Unclaimed monies	19,690				19,690
<b>Restricted:</b>					
Debt service				1,045,849	1,045,849
Capital improvements		7,489,863	24,677,273	783,439	32,950,575
Classroom facilities maintenance				131,749	131,749
Food service operations				46,870	46,870
Non-public schools				120	120
Special education				113	113
Targeted academic assistance				10,632	10,632
Other purposes				123,340	123,340
Extracurricular				130,079	130,079
School bus purchase	748				748
<b>Committed:</b>					
Termination benefits	458,845				458,845
<b>Assigned:</b>					
Student instruction	141,135				141,135
Student and staff support	383,470				383,470
Extracurricular activities	386				386
Subsequent year's appropriations	1,832,000				1,832,000
School supplies	566				566
Other purposes	23,326				23,326
Unassigned	4,526,705				4,526,705
Total fund balances	<u>\$7,386,871</u>	<u>\$7,489,863</u>	<u>\$24,677,273</u>	<u>\$2,272,191</u>	<u>\$41,826,198</u>

See accompanying notes to the basic financial statements.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES - CASH BASIS  
JUNE 30, 2015**

Total governmental fund balances	\$41,826,198
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*Amounts reported for governmental activities on the statement of net position are different because:*

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities on the statement of net position - cash basis.

3,383,679

Net cash position of governmental activities

\$45,209,877

*See accompanying notes to the basic financial statements.*

URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Building	Classroom Facilities	Non-major Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
<b>From local sources:</b>					
Property taxes	\$8,506,295			\$1,466,997	\$9,973,292
Tuition	890,331				890,331
Earnings on investments	26,123	\$138	\$438	895	27,594
Charges for services				286,021	286,021
Extracurricular	208,112			273,313	481,425
Classroom materials and fees	42,522				42,522
Rental income	41,997				41,997
Contributions and donations	15,290			8,508	23,798
Other local revenues	109,493			1,757	111,250
Intergovernmental - intermediate	316,137				316,137
Intergovernmental - state	13,905,310		991,250	270,129	15,166,689
Intergovernmental - federal				2,144,628	2,144,628
Total receipts	<u>24,061,610</u>	<u>138</u>	<u>991,688</u>	<u>4,452,248</u>	<u>29,505,684</u>
<b>Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	10,040,753			226,243	10,266,996
Special	3,496,319			1,208,106	4,704,425
Vocational	341,881			9,347	351,228
Other	30,127				30,127
<b>Support services:</b>					
Pupil	1,691,859			27,377	1,719,236
Instructional staff	624,930			17,186	642,116
Board of education	22,706				22,706
Administration	1,398,756			39,373	1,438,129
Fiscal	527,891			38,667	566,558
Business	352,716				352,716
Operations and maintenance	1,365,806				1,365,806
Pupil transportation	623,389			58,778	682,167
Central	115,361			7,890	123,251
<b>Operation of non-instructional services:</b>					
Food service operations				981,986	981,986
Other operation of non-instructional	80,531			1,705	82,236
Extracurricular activities	345,802			284,633	630,435
Facilities acquisition and construction		17,464	162,226	515,353	695,043
<b>Debt service:</b>					
Bond issuance costs				354,166	354,166
Total disbursements	<u>21,058,827</u>	<u>17,464</u>	<u>162,226</u>	<u>3,770,810</u>	<u>25,009,327</u>
Excess (deficiency) of receipts over (under) disbursements	<u>3,002,783</u>	<u>(17,326)</u>	<u>829,462</u>	<u>681,438</u>	<u>4,496,357</u>
<b>Other financing sources (uses):</b>					
Premium on bonds sold				407,636	407,636
Sale of bonds		7,507,189	23,847,811		31,355,000
Transfers in				131,749	131,749
Transfers (out)				(131,749)	(131,749)
Advances in	66,034			34,614	100,648
Advances (out)	(34,614)			(66,034)	(100,648)
Total other financing sources (uses)	<u>31,420</u>	<u>7,507,189</u>	<u>23,847,811</u>	<u>376,216</u>	<u>31,762,636</u>
Net change in fund balances	3,034,203	7,489,863	24,677,273	1,057,654	36,258,993
Fund balances at beginning of year	4,352,668			1,214,537	5,567,205
Fund balances at end of year	<u>\$7,386,871</u>	<u>\$7,489,863</u>	<u>\$24,677,273</u>	<u>\$2,272,191</u>	<u>\$41,826,198</u>

See accompanying notes to the basic financial statements.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS -  
CASH BASIS TO THE STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds	\$36,258,993
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Amounts reported for governmental activities in the statement of activities are different because:

An 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 disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

(376,684)

Change in net cash position of governmental activities	<u>\$35,882,309</u>
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*See accompanying notes to the basic financial statements.*



**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
<b>From local sources:</b>				
Property taxes	\$7,995,473	\$8,005,526	\$8,506,295	\$500,769
Tuition	668,620	669,461	724,279	54,818
Earnings on investments	23,996	24,026	26,123	2,097
Extracurricular	31,110	31,149	33,700	2,551
Rental income	38,770	38,818	41,997	3,179
Other local revenues	238,903	239,203	258,790	19,587
Intergovernmental - intermediate	291,843	292,210	316,137	23,927
Intergovernmental - state	12,836,726	12,852,864	13,905,310	1,052,446
Total receipts	<u>22,125,441</u>	<u>22,153,257</u>	<u>23,812,631</u>	<u>1,659,374</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	10,888,321	11,024,549	10,015,836	1,008,713
Special	3,994,624	4,044,603	3,502,562	542,041
Vocational	444,126	449,683	376,764	72,919
Other	57,312	58,029	38,003	20,026
<b>Support services:</b>				
Pupil	1,893,431	1,917,121	1,804,922	112,199
Instructional staff	695,876	704,582	646,155	58,427
Board of education	35,089	35,528	28,508	7,020
Administration	1,530,809	1,549,962	1,436,849	113,113
Fiscal	612,247	619,907	550,379	69,528
Business	257,694	260,918	236,894	24,024
Operations and maintenance	1,606,970	1,627,076	1,464,231	162,845
Pupil transportation	714,516	723,456	656,835	66,621
Central	130,030	131,657	117,314	14,343
Other operation of non-instructional services	252,750	255,912	96,730	159,182
Extracurricular activities	493,822	500,000	344,376	155,624
Total disbursements	<u>23,607,617</u>	<u>23,902,983</u>	<u>21,316,358</u>	<u>2,586,625</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,482,176)</u>	<u>(1,749,726)</u>	<u>2,496,273</u>	<u>4,245,999</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures	85,600	85,708	92,726	7,018
Refund of prior year's receipts	(46,011)	(46,587)	(45,462)	1,125
Transfers (out)	(79,993)	(80,994)	(1,539)	79,455
Advances in	60,959	61,035	66,033	4,998
Advances (out)	(244,362)	(247,419)	(41,154)	206,265
Total other financing sources (uses)	<u>(223,807)</u>	<u>(228,257)</u>	<u>70,604</u>	<u>298,861</u>
Net change in fund balance	(1,705,983)	(1,977,983)	2,566,877	4,544,860
Fund balance at beginning of year	3,549,593	3,549,593	3,549,593	
Prior year encumbrances appropriated	242,983	242,983	242,983	
Fund balance at end of year	<u>\$2,086,593</u>	<u>\$1,814,593</u>	<u>\$6,359,453</u>	<u>\$4,544,860</u>

See accompanying notes to the basic financial statements.

URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY

STATEMENT OF NET POSITION - CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2015

	<b>Governmental Activities - Internal Service Funds</b>
<b>Assets:</b>	
Equity in pooled cash and investments	<u>\$3,383,679</u>
<b>Net cash position:</b>	
Unrestricted	<u>\$3,383,679</u>

*See accompanying notes to the basic financial statements.*

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGE IN NET POSITION - CASH BASIS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating receipts:</b>	
Charges for services	\$2,495,475
Total operating receipts	<u>2,495,475</u>
<b>Operating disbursements:</b>	
Claims and administrative services	2,872,343
Total operating disbursements	<u>2,872,343</u>
Operating loss	<u>(376,868)</u>
<b>Non-operating receipts:</b>	
Interest receipts	184
Total non-operating receipts	<u>184</u>
Change in net cash position	(376,684)
Net cash position at beginning of year	<u>3,760,363</u>
Net cash position at end of year	<u><u>\$3,383,679</u></u>

*See accompanying notes to the basic financial statements.*

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments	\$119,620	\$55,315
<b>Net cash position:</b>		
Held in trust for scholarships	119,620	
Held for student activities		55,315
Total net cash position	\$119,620	\$55,315

*See accompanying notes to the basic financial statements.*

URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>Additions:</b>	
Interest	\$136
<b>Deductions:</b>	
Scholarships awarded	1,000
Change in net cash position	(864)
Net cash position at beginning of year	120,484
Net cash position at end of year	<u>\$119,620</u>

*See accompanying notes to the basic financial statements.*

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**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

Urbana City School District (the "District") is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is a city district as defined by Ohio Rev. Code Section 3311.02. The District operates under an elected Board of Education of five members and is responsible for the provision of public education to residents of the District.

The District currently operates 3 elementary schools (grades K – 5), 1 junior high (grades 6 – 8) and 1 high school (grades 9 – 12). The District is staffed by 10 non-certified and 159 certified personnel to provide services to approximately 2,100 students and other community members.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed in Note 2.D, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes when the District's relationship with the organization further results in a financial benefit or burden of the District. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has one component unit.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following organizations are described due to their relationship to the District:

**1. Discretely Presented Component Unit**

**The Urbana Community School**

The Urbana Community School (the "School") is a legally separate, conversion community school, served by a Board of Directors. The School provides students within the District with curriculum and instruction via distance learning technology. The Board of Directors is comprised of five members. The Urbana City School District is the sponsoring District of the School under Ohio Revised Code Chapter 3314. The superintendent of the District serves as the Chief Administrative Officer of the School and the Treasurer serves as the Chief Financial Officer. Based on the significant services provided by the District to the School, the School's purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Directors of the School, the School is a component unit of the District. See Note 15 for detail on the School.

Separately issued financial statements can be obtained from the Treasurer of the School at 711 Wood Street, Urbana, Ohio 43078.

**2. Jointly Governed Organizations**

**Western Ohio Computer Organization**

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county plus a representative from the fiscal agent District. During fiscal year 2015, the District paid \$184,360 to WOCO for various services.

Financial information is available from Marcia Wierwille, Fiscal Officer, 129 East Court Street, Sidney, Ohio 45365.

**Metropolitan Educational Council**

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of nearly 124 districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by MEC. The Governing Board of MEC consists of one voting representative from each member district. The District paid \$1,808 to MEC during fiscal year 2015. Financial information is available from James Grube, Director, 2100 Citygate Dr., Columbus, Ohio 43219.



**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Ohio Hi-Point Joint Vocational School District**

The Ohio Hi-Point Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio. The JVS is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. Financial information is available from Eric Adelsberger, Treasurer, of the Ohio Hi-Point Joint Vocational School District, 2280 State Route 540, Suite A, Bellefontaine, Ohio 43311.

**3. Insurance Purchasing Pool**

**Workers' Compensation Group Rating Plan**

The District participates in the Better Business Bureau of Central Ohio group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Better Business Bureau of Central Ohio is governed by a Board of Directors, consisting of four officers and twenty-three directors from area businesses and organizations.

**B. Fund Accounting**

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

**1. 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. The following are the District's major governmental funds:

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

**Building fund** - The building fund is used to account for and report resources that are restricted to expenditures related to all special bonds in the District and to account for receipts and expenditures involved in the replacement or updating of equipment essential for the instruction of students. Expenditures recorded here represent the costs of acquiring and improving capital facilities, including real property.

**Classroom facilities fund** - A capital projects fund that is used to account for and report monies received that are restricted for expenditures in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for specific revenue sources whose use is restricted, committed or assigned to a particular purpose.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

**Internal service fund** - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical benefits to employees.

**3. Fiduciary Funds**

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

**C. Basis of Presentation**

**1. Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of receipts and disbursements.

The government-wide statement of activities presents a comparison between direct disbursements and program receipts for each function or program of the governmental activities of the District. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts not classified as program receipts are presented as general receipts of the District.

All assets and net position associated with the operation of the District are included on the statement of net position.

**2. Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all non-major funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting**

Although Ohio Administrative Code §117-2-03(B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a financial reporting framework other than generally accepted accounting principles in the United States of America. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2015 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2015.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures for the general fund and the permanent improvement funds, and the fund level for all other funds, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation for all funds or alter total function appropriations within the general fund or permanent improvement fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund and/or function level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable and non-negotiable certificates of deposit and U.S. government money market mutual funds. With the exception of STAR Ohio, investments are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price at which the investment could be sold on June 30, 2015.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$26,123, which includes \$11,980 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**I. Interfund Balances**

On fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave. Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for post-employment health care benefits.

**L. Long-Term Obligations**

Loans and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**M. Fund Balance**

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

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Non-spendable** - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**N. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net cash position restricted for other purposes includes monies restricted by State statute for school bus purchases and food service operations.

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

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents received from the State and are restricted for school bus purchases. A schedule of statutory set-asides is presented in Note 13.

**P. Interfund Activity**

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

**Q. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2015, the balance in the budget stabilization reserve was \$366,608. This amount is included in unassigned fund balance of the general fund and in unrestricted net cash position on the statement of net position.

**R. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 9 to the financial statements, and added required supplementary information which is presented on pages 59-63.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and non-employer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code, §117-2-03(B), requires that the District prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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.



**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

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

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**A. Cash on Hand**

At fiscal year end, the District had \$100 in un-deposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash, cash equivalents and investments."

**B. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$11,298,516. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2015, \$8,815,074 of the District's bank balance of \$11,408,179 was exposed to custodial risk as discussed below, while \$2,593,105 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2015, the District had the following investments and maturities:

<b>Investment Type</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Investment Maturities at Fair Value</b>			
			<b>6 Months Or Less</b>	<b>7 to 12 Months</b>	<b>13 to 18 Months</b>	<b>19 to 24 Months</b>
Negotiable certificates of deposit	\$2,697,649	\$2,697,649	\$694,439	\$1,502,580	\$250,272	\$250,358
U.S. Government money market mutual fund	31,363,547	31,363,547	31,363,547			
STAR Ohio	25,000	25,000	25,000			
<b>Total</b>	<b>\$34,086,196</b>	<b>\$34,086,196</b>	<b>\$32,082,986</b>	<b>\$1,502,580</b>	<b>\$250,272</b>	<b>\$250,358</b>

The weighted average maturity of investments is 0.07 years.

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

**Credit Risk:** STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Concentration of Credit Risk:** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% of Total</u>
Negotiable certificates of deposit	\$2,697,649	7.91
U.S. Government money market mutual fund	31,363,547	92.02
STAR Ohio	25,000	0.07
Total	<u>\$34,086,196</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note:</u>	
Carrying amount of deposits	\$11,298,516
Investments	34,086,196
Cash on hand	100
Total	<u>\$45,384,812</u>

<u>Cash per statement of net position:</u>	
Governmental activities	\$45,209,877
Private-purpose trust	119,620
Agency fund	55,315
Total	<u>\$45,384,812</u>

**5. INTERFUND TRANSACTIONS**

**A.** Transfers for the fiscal year ended June 30, 2015, as reported on the fund financial statements, consist of the following:

<b>Transfers to non-major governmental funds from:</b>	
Non-major governmental funds	<u>\$131,749</u>

The primary purpose of this transfer is to fund the District's classroom facilities maintenance fund (a non-major governmental fund) in accordance with the Ohio Facilities Construction Commission project agreement.

**B.** Advances for the fiscal year ended June 30, 2015, as reported on the fund statements, consist of the following:

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**5. INTERFUND TRANSACTIONS (Continued)**

<b>Advances to the general fund from:</b>		
Non-major governmental funds		\$66,034
<b>Advances to non-major governmental funds from:</b>		
General fund		<u>34,614</u>
Total		<u>\$100,648</u>

These advances will be repaid once the anticipated funds are received. Interfund advances between governmental funds are eliminated on the government-wide financial statements.

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	<b>2014 Second Half Collections</b>		<b>2015 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$253,867,980	95.71	\$252,158,410	95.55
Public utility personal	11,379,400	4.29	11,731,400	4.45
Total	<u>\$265,247,380</u>	<u>100.00</u>	<u>\$263,889,810</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$68.05		\$75.20

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**7. LONG-TERM OBLIGATIONS**

A. During the fiscal year 2015, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2014	Additions	Reductions	Balance Outstanding June 30, 2015	Amounts Due in One Year
<b>Governmental activities:</b>					
<b>General obligation bonds:</b>					
Series 2015					
Current interest bonds	\$0	\$31,355,000	\$0	\$31,355,000	\$800,000
Total long-term obligations, governmental activities	<u>\$0</u>	<u>\$31,355,000</u>	<u>\$0</u>	<u>\$31,355,000</u>	<u>\$800,000</u>

B. **Series 2015 School Improvement General Obligation Bonds** - On March 4, 2015, the District issued \$31,355,000 in general obligation bonds, for the purpose of improving school facilities. Principal and interest payments are made from the bond retirement fund.

The issue is comprised of current interest serial bonds. The interest rates on the bonds range from 2.0% - 5.0%.

Interest payments on the current interest serial bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2042.

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2015 Bonds:

Fiscal Year	Current Interest - Series 2015		
	Principal	Interest	Total
2016	\$800,000	\$1,323,224	\$2,123,224
2017	640,000	1,079,119	1,719,119
2018	690,000	1,045,869	1,735,869
2019	725,000	1,021,369	1,746,369
2020	735,000	1,006,769	1,741,769
2021 - 2025	4,045,000	4,781,719	8,826,719
2026 - 2030	4,890,000	4,028,295	8,918,295
2031 - 2035	6,095,000	2,963,348	9,058,348
2036 - 2040	7,470,000	1,712,470	9,182,470
2041 - 2043	5,265,000	301,589	5,566,589
Total	<u>\$31,355,000</u>	<u>\$19,263,771</u>	<u>\$50,618,771</u>

C. **Legal Debt Margin** - The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**7. LONG-TERM OBLIGATIONS (Continued)**

Revised Code Section 133.06(l) permits school districts to incur net indebtedness in excess of the 9% limitation, without obtaining the consent of the State Superintendent and the Tax Commissioner, when bond proceeds will be used exclusively to fund a school district's Commission-required local effort. Accordingly, the proceeds of the bonds will be used exclusively to fund the District's Commission-required local effort, and, as a result, are not subject to State consents/special needs approval.

**8. RISK MANAGEMENT**

**A. Comprehensive and Employee Health**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained risk management by traditional means of insuring through a commercial company.

With the exception of a deductible, the risk of loss transfers entirely from the District to the commercial company. The District has obtained commercial insurance for the following risks:

- Education Liability Policy
- Business Auto Coverage
- Commercial Property Coverage
- Commercial Crime Coverage
- Inland Marine Coverage

The District provides medical/surgical benefits through a self-insurance program. The District maintains a self-insurance internal service fund to account for and finance its required claims/fee payments and reserves for this program to its employees. Monthly premiums are paid from the fund from which each employee is paid. This plan provides two types of medical insurance plans for its employees. The traditional PPO plan has a \$500 family and \$250 single deductible. The board also offers a high deductible health plan with a family deductible of \$5,000 and a single deductible of \$2,500. A third party administrator, Anthem, reviews all claims, which are then paid by the District. The District purchased stop-loss coverage of \$75,000 per employee per year, and \$1.0 million group aggregate for fiscal year 2015. The premiums are paid by the District at a rate of 90% for all teaching employees and at a rate of either 85%, 65%, or 60% for classified staff. Administrators' premiums are paid 85% by the District. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information.

On January 1, 2013, the District began offering a High Deductible Health Care Plan (HDHP) and a Health Savings Account (HSA) in addition to the traditional preferred provider organization insurance option to qualifying administrative and non-bargaining employees. The District's contributions to the HAS for administrators were \$1,500 for individuals and \$3,000 for families, and the District's contributions to the HAS for all other staff enrolled were \$1,250 for individuals and \$2,500 for families.

Claims of \$102,384 are due to be paid from the internal service fund at June 30, 2015. The claims liability is based on an estimate supplied by the District's third party administrator, and includes estimates of costs relating to incurred but not reported claims.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**8. RISK MANAGEMENT (Continued)**

Changes in claims due for the current and prior fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims &amp; Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2015	\$363,686	\$2,611,041	(\$2,872,343)	\$102,384
2014	407,053	2,356,723	(2,400,090)	363,686

The District continues to carry commercial insurance for all others risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2012.

Post-employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 10. As such, no funding provisions are required by the District.

**B. Workers' Compensation**

For fiscal year 2015, the District participated in the Better Business Bureau of Central Ohio Group Retrospective Rating Plan (the "GRP") through Sheakley. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating entities 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. The firm of Sheakley Uniservice provides administrative, cost control and actuarial services to the GRP. The retrospective plan provides the possibility of increased refund amounts based on look-back performance of the group.

**9. PENSION PLANS**

**A. Net Pension Liability**

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**9. PENSION PLANS (Continued)**

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**B. Plan Description - School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

	<b>Eligible to Retire on or before August 1, 2017 *</b>	<b>Eligible to Retire on or after August 1, 2017</b>
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.



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(Continued)**

**9. PENSION PLANS (Continued)**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$337,354 for fiscal year 2015.

**C. Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)**

**Plan Description** - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**9. PENSION PLANS (Continued)**

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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** - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$1,275,587 for fiscal year 2015.

**D. Net Pension Liability**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

Proportionate share of the net pension liability	\$3,938,325	\$21,059,982	\$24,998,307
Proportion of the net pension liability	0.07781800%	0.08658300%	

**E. Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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**9. PENSION PLANS (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

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(Continued)**

**9. PENSION PLANS (Continued)**

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
School District's proportionate share of the net pension liability	\$5,618,819	\$3,938,325	\$2,524,884

**F. Actuarial Assumptions - STRS Ohio**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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**9. PENSION PLANS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$30,149,660	\$21,059,982	\$13,373,173

**10. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** - The District participates in two cost-sharing, multiple employer post-employment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by

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**10. POST-EMPLOYMENT BENEFITS (Continued)**

statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the actuarially determined amount was \$20,450.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014 and 2013 were \$57,611, \$40,412 and \$37,274, respectively; 92.10 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$17,832, \$14,019 and \$14,581, respectively; 92.10 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

**B. State Teachers Retirement System of Ohio**

**Plan Description** - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**10. POST-EMPLOYMENT BENEFITS (Continued)**

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$93,460 and \$93,640, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

**11. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the cash basis, 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 receipts, disbursements and changes in fund balance - budget and actual (budgetary 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 the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	
	<b>General fund</b>
Budget basis	\$2,566,877
Funds budgeted elsewhere	33,980
Adjustment for encumbrances	433,346
Cash basis	<u>\$3,034,203</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the uniform school supplies fund, the unclaimed monies fund, the public school support fund, the other grants fund and the termination benefits fund.

**12. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**12. CONTINGENCIES (Continued)**

**B. Litigation**

The District is not party to legal proceedings that would have a material effect, if any, on the financial condition of the District.

**C. Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**13. SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<b>Capital Improvements</b>
Set-aside balance June 30, 2014	\$0
Current year set-aside requirement	342,863
Current year offsets	(421,543)
Total	(\$78,680)
Balance carried forward to fiscal year 2016	\$0
Set-aside balance June 30, 2015	\$0

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

In addition to the above statutory set-aside, the District also has \$748 in monies restricted for school bus purchases. This amount is shown as a restricted asset and restricted fund balance in the general fund since allowable expenditures are restricted by State statute.



**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**14. OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<b>Fund</b>	<b>Year-End Encumbrances</b>
General fund	\$461,940
Building fund	411,535
Classroom facilities fund	4,558,048
Non-major governmental funds	128,406
Total	\$5,559,929

**15. URBANA COMMUNITY SCHOOL**

Urbana Community School (the "School") is a school as provided for by Ohio Revised Code Chapters 3314 and 1702 within the Urbana City School District (the "Sponsor"). The School's objective is to use technology to reach a diverse student population. The School is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include most ancillary components of a more traditional education. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the School's program. This population may include, but will not be limited to, home schoolers, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students within the Sponsor school district that desire a specific course not currently offered but available through online instruction. The program will permit the use of a "blended" approach to the delivery of educational services designed to provide the optimum balance between online and traditional instruction for each individual student. The School, which is part of the state's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The School may sue and be sued in its own name, acquire facilities as needed and contract for services necessary for the operation of the School. The School is considered a component unit of the Urbana City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statements No. 39 and GASB Statement No. 61.

The School was initially approved under contract with the Sponsor for the period of five years commencing July 1, 2003. A new four-year agreement was approved in September of 2013 to run through June 30, 2017. The School began operations on July 1, 2004.

The School operates under the direction of a Board of Directors of which a majority shall be elected or appointed public officials or employees, or shall be other community leaders as set forth in the School's code of regulations. The Board may also include one or more parents of students enrolled in the School or civic leaders, also as set forth in the School's code of regulations.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**15. URBANA COMMUNITY SCHOOL (Continued)**

**A. Summary of Significant Accounting Policies**

As discussed in Note 15.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School's accounting policies.

**Basis of Presentation** - Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) related to providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Basis of Accounting** - Although Ohio Administrative Code §117-2-03 (B) requires the School's financial report to follow generally accepted accounting principles, the School chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a financial reporting framework other than generally accepted accounting principles in the United States of America. The School recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**Budgetary Process** - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code §5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires the School to prepare a five-year annual budget detailing revenues and expenses. The five-year projection is also required by Ohio Revised Code §5705.391.

**Cash and Cash Equivalents** - The School maintains an interest bearing depository account. All funds of the School are maintained in this account. This interest bearing depository account is presented on the statement of net position - cash basis as "equity in pooled cash and cash equivalents".

**Capital Assets and Depreciation** - Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation has not been reported for any capital assets.

**Operating Receipts and Disbursements** - Operating receipts are those receipts that are generated directly from the primary activity of the School. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the School. All receipts and disbursements not meeting this definition are reported as non-operating.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**15. URBANA COMMUNITY SCHOOL (Continued)**

**Intergovernmental Receipts** - The School currently participates in the State Foundation Program through the Ohio Department of Education. Receipts from this program are recognized as operating receipts in the accounting period in which payment is received by the School. Foundation program receipts for the fiscal year 2015 amounted to \$223,278.

Grants and entitlements are recognized as non-operating receipts in the accounting period in which they are received. During 2015, the School received \$2,408 in unrestricted grants from the State of Ohio.

**Net Position** - Net position is reported as restricted when there are limitations imposed on the use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**B. Accountability and Compliance**

**1. Change in Accounting Principles**

For fiscal year 2015, the School has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made".

GASB Statement No. 68 improves the information provided by local government employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the School.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School.

GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement 68 related to amounts associated with contributions by a local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the School.

**2. Compliance**

Ohio Administrative Code, §117-2-03(B), requires that the School prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statements on a cash basis, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School can be fined and various other administrative remedies may be taken against the School.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**15 - URBANA COMMUNITY SCHOOL (Continued)**

**C. Equity in Pooled Cash and Investments**

At June 30, 2015, the carrying amount of the School's deposits was \$696,914. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2015, \$446,914 of the School's bank balance of \$696,914 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

**D. Comprehensive Services Agreement with TRECA**

The School contracted with Tri-Rivers Education Computer Association (TRECA) for the period July 1, 2014 through June 30, 2015. Under the contract, the following terms were agreed upon:

1. TRECA shall provide the School with instructional, supervisory/administrative, and technical services sufficient to substantially implement the School's educational plan and the School's assessment and accountability plan.
2. All personnel providing services to the School on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
3. The School shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the School.
4. Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
5. The School shall pay to TRECA \$3,000 per full-time student enrolled in the School per year for comprehensive services. Additional service packages may be provided on such terms as are agreed to by the parties.

During fiscal year 2015, the School paid \$112,522 to TRECA for services.

To obtain TRECA's audited June 30, 2015 financial statements, please contact Scott Armstrong at [scott@treca.org](mailto:scott@treca.org).

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**15. URBANA COMMUNITY SCHOOL (Continued)**

**E. Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2015, the School was named on the Sponsor's policy for property and general liability insurance. For the upcoming fiscal year 2016, the community school will be purchasing its own general liability insurance.

**F. Purchased Services**

For fiscal year ended June 30, 2015, disbursements for purchased services were as follows:

TRECA services	\$112,522
Sponsor services	203,034
Other services	<u>6,177</u>
Total	<u>\$321,733</u>

**G. Contingencies**

**1. Grants**

The School received financial assistance from State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability; however, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2015.

**2. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The School has not been reviewed as of June 30, 2015. The School's adjustment after the review, subsequent to June 30, 2015, was a negative \$2,030.

**3. Litigation**

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**H. Fiscal Agent**

The School utilizes the services of the Sponsor's Treasurer as its fiscal officer. The School does not directly pay the Treasurer; however, it does reimburse the Sponsor for services provided.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**16. SUBSEQUENT EVENTS**

On July 6, 2015, the District signed a lease purchase agreement in order to finance the purchase of two new school buses. The three year agreement requires three annual payments of \$60,622.

In November 2015, the District placed a 5.9 mil operating levy on the ballot. The levy was passed by voters.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULES OF SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

**LAST TWO FISCAL YEARS\***

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.07781800%	0.07781800%
District's proportionate share of the net pension liability	\$3,938,325	\$4,627,587
District's covered-employee payroll	\$2,409,671	\$2,261,229
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.44%	204.65%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

\* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULES OF SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

**LAST TWO FISCAL YEARS\***

	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability	0.08658300%	0.08658300%
District's proportionate share of the net pension liability	\$21,059,982	\$25,086,513
District's covered-employee payroll	\$9,111,336	\$8,846,393
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	231.14%	283.58%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

\* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.



**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULES OF SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

**LAST TWO FISCAL YEARS**

	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$337,354	\$316,572
Contributions in relation to the contractually required contribution	(337,354)	(316,572)
Contribution deficiency (excess)	\$0	\$0
District's covered-employee payroll	\$2,409,671	\$2,261,229
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Note: Information prior to fiscal year 2014 was unavailable.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULES OF SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

**LAST TWO FISCAL YEARS**

	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$1,275,587	\$1,238,495
Contributions in relation to the contractually required contribution	(1,275,587)	(1,238,495)
Contribution deficiency (excess)	\$0	\$0
District's covered-employee payroll	\$9,111,336	\$8,846,393
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Note: Information prior to fiscal year 2014 was unavailable.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule. At this point only one year is being reported, but comments on additional years will be added as they occur.

Changes in benefit terms: None.

Changes in assumptions: None.

Method and assumptions used in calculation of actuarial determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
Salary increase	4.00 - 22.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investments expense, including inflation

**STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

Changes in benefit terms: None.

Changes in assumptions: None.

Method and assumptions used in calculation of actuarial determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29.5 years
Asset valuation method	4-year smoothed market
Inflation	2.75 percent
Salary increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments	2 percent Simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, the 2 percent COLA is paid on the fifth anniversary of the retirement date.

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URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$185,484		\$185,484	
National School Lunch Program	10.555	453,630		453,630	
Non-Cash Assistance (Food Distribution) National School Lunch Program			62,822		62,822
Total National School Lunch Program		453,630	62,822	453,630	62,822
Summer Food Service Program for Children	10.559	47,912		47,912	
Total Child Nutrition Cluster - U.S. Department of Agriculture		687,026	62,822	687,026	62,822
<b>U.S. Department of Education</b>					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	805,565		800,025	
Special Education Grants to States	84.027	531,918		522,966	
Rural Education	84.358	37,603		37,000	
Improving Teacher Quality State Grants	84.367	26,346		29,773	
ARRA - State Fiscal Stabilization Fund (SFSF) Race to the Top, Incentive Grants, Recovery Act	84.395	56,172		34,120	
Total U. S. Department of Education		1,457,604		1,423,884	
Total Federal Financial Assistance		\$2,144,630	\$62,822	\$2,110,910	\$62,822

*See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.*

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# 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*

Urbana City School District  
Champaign County  
711 Wood Street  
Urbana, Ohio 43078

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 cash-basis financial statements of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the Urbana City School District, Champaign County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***District's Response to Finding***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 10, 2016





# Dave Yost • Auditor of State

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

Urbana City School District  
Champaign County  
711 Wood Street  
Urbana, Ohio 43078

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Urbana City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Urbana City School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the Urbana City 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, 2015.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on 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 District's internal control over compliance.

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 10, 2016

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: <ul style="list-style-type: none"> <li>• CFDA 10.553 – School Breakfast Program</li> <li>• CFDA 10.555 – National School Lunch Program</li> <li>• CFDA 10.559 – Summer Food Service Program for Children</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2015-001**

**Noncompliance**

**Ohio Rev. Code §117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Admin. Code §117-2-03(B)** requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2015, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare the financial statements according to generally accepted accounting principles to provide users with more meaningful financial statements.

**Officials' Response:**

In response to Finding Number 2015-001 Noncompliance Citation ORC 117.38; the Urbana City School District Board of Education understands that the Ohio Revised Code requires the District's financial statements to be prepared in accordance with GAAP; however, an exception has been implemented by the State Auditor for issuance of an unmodified opinion if GAAP look-alike financial statements have been prepared by the District. Due to cost of the conversion, increased audit cost, and cost of employee resources, the Board feels money that would otherwise be spent on conversion to GAAP is better used to educate the students of Urbana City School District. In addition, federal security laws do not require GAAP financial statements, and specifically, SEC Rule 15c2-12 relating to continuing disclosure on outstanding debt (which applies to the District) does not require GAAP financial statements.

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

**None**

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	<b>Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B)</b> – Failure to report on GAAP basis	No	Repeated as Finding 2015-001

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# Dave Yost • Auditor of State

**URBANA CITY SCHOOL DISTRICT**

**CHAMPAIGN 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 17, 2016**