



Rea & associates *a brighter way*

Wooster City School District

Wayne County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2014

Wooster City School District
Wayne County, Ohio
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June 30, 2014

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December 31, 2014

To the Board of Education
Wooster City School District
Wayne County, Ohio
144 North Market Street
Wooster, Ohio 44691

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Emphasis of a Matter

As described in Note 3, the District restated the net position balances to account for the implementation of GASB Statement No. 65. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

Hea & Associates, Inc.

Medina, Ohio

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**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The management's discussion and analysis of Wooster 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, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position increased \$7,864,610. Net position of governmental activities increased \$7,691,888, which represents an 18.17% increase from 2013 (as restated – see Note 3.A). Business-type activities net position increased \$172,722 over 2013.
- General revenues accounted for \$45,311,015 in revenue or 87.84% of governmental activities revenues. Program specific revenues in the form of charges for services and sales, operating/capital grants and contributions accounted for \$6,274,405 or 12.16% of governmental activities revenues.
- Total revenues for fiscal year 2014 were \$55,622,510. Of this total, \$51,585,420 was reported in the governmental activities and \$4,037,090 in the business-type activities.
- The District had \$43,893,532 in expenses related to governmental activities; only \$6,274,405 of these expenses was offset by program specific charges for services, operating/capital grants or contributions resulting in a net cost of \$37,619,127 for the District. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$45,311,015 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$43,260,997 in revenues and other financing sources and \$39,365,399 in expenditures and other financing uses. During fiscal 2014, the general fund's fund balance increased \$3,895,598 from a balance of \$23,411,242 to \$27,306,840.
- The debt service fund had \$3,153,633 in revenues and other financing sources and \$3,210,969 in expenditures. During fiscal 2014, the debt service fund's fund balance decreased \$57,336 from \$1,892,525 to \$1,835,189.

Using this Annual Financial Report

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fund's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the 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.

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service, uniform school supplies, recreation center, education costs for outside entities, and before/after school child care are reported as business activities.

The District's statement of net position and statement of activities can be found on pages 17-19 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 12 and the analysis of the District's nonmajor enterprise funds begins on page 14. 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 and debt service 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 20-24 of this report.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 25-27 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, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 28 and 29. 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 30-60.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2014 and 2013. Certain amounts for fiscal year 2013 have been restated to conform to new reporting standards implemented in fiscal year 2014 (see Note 3.A).

Net Position

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|----------------------------------|--------------------------------|--------------------------|---------------------------------|---------------------|----------------------|--------------------------|
| | <u>2014</u> | <u>Restated 2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>Restated 2013</u> |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 65,429,084 | \$ 59,463,307 | \$ 1,414,283 | \$ 1,182,976 | \$ 66,843,367 | \$ 60,646,283 |
| Capital assets, net | 33,299,082 | 33,148,731 | 1,554,638 | 1,607,701 | 34,853,720 | 34,756,432 |
| Total assets | <u>98,728,166</u> | <u>92,612,038</u> | <u>2,968,921</u> | <u>2,790,677</u> | <u>101,697,087</u> | <u>95,402,715</u> |
| <u>Deferred outflows</u> | 35,456 | 44,342 | - | - | 35,456 | 44,342 |
| <u>Liabilities</u> | | | | | | |
| Current liabilities | 5,832,208 | 5,051,576 | 367,830 | 325,646 | 6,200,038 | 5,377,222 |
| Long-term liabilities | 16,997,499 | 19,793,308 | 272,261 | 308,923 | 17,269,760 | 20,102,231 |
| Total liabilities | <u>22,829,707</u> | <u>24,844,884</u> | <u>640,091</u> | <u>634,569</u> | <u>23,469,798</u> | <u>25,479,453</u> |
| <u>Deferred inflows</u> | 25,898,447 | 25,467,916 | - | - | 25,898,447 | 25,467,916 |
| <u>Net position</u> | | | | | | |
| Net investment in capital assets | 21,122,304 | 20,827,023 | 1,554,638 | 1,607,701 | 22,676,942 | 22,434,724 |
| Restricted | 4,692,492 | 4,937,221 | - | - | 4,692,492 | 4,937,221 |
| Unrestricted | <u>24,220,672</u> | <u>16,579,336</u> | <u>774,192</u> | <u>548,407</u> | <u>24,994,864</u> | <u>17,127,743</u> |
| Total net position | <u>\$ 50,035,468</u> | <u>\$ 42,343,580</u> | <u>\$ 2,328,830</u> | <u>\$ 2,156,108</u> | <u>\$ 52,364,298</u> | <u>\$ 44,499,688</u> |

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

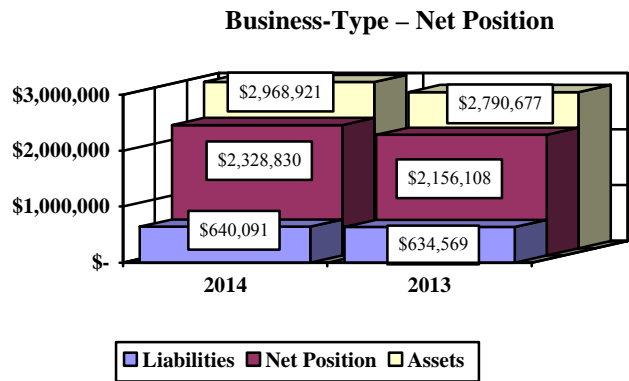
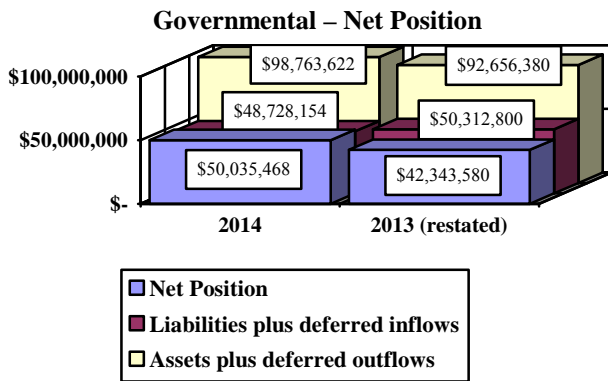
Capital assets for 2014 increased less than one percent from the prior year as additions of \$1,634,157 were more than depreciation expense of \$1,295,032 and disposals net of \$241,837. Current and other assets increased primarily due to an increase in equity in pooled cash and cash equivalents of \$5,625,673. Long-term liabilities decreased primarily due to the payment of principal on general obligation bonds of \$2,757,000 in fiscal year 2014. Current liabilities increased primarily due to contracts and retainage payable related to construction projects.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$52,364,298. Of this total, \$4,692,492 is restricted in use.

At year-end, capital assets represented 34.27% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and an ice arena. The net investment in capital assets at June 30, 2014, was \$22,676,942. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$4,692,492, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$24,994,864. Of the unrestricted net position, \$24,220,672 is reported in the governmental activities and \$774,192 is reported in the business type activities.

The graphs below show the assets plus deferred outflows, liabilities plus deferred inflows and net position of the governmental activities and business-type activities at June 30, 2014 and 2013 (as restated – see Note 3.A).



**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2014 and 2013. For 2013, interest and fiscal changes and beginning net position have been restated to conform to new reporting standards implemented in fiscal year 2014 (see Note 3.A).

Change in Net Position

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services and sales | \$ 1,185,533 | \$ 1,191,327 | \$ 2,383,837 | \$ 2,381,349 | \$ 3,569,370 | \$ 3,572,674 |
| Operating grants and contributions | 4,293,460 | 2,827,918 | 1,449,895 | 1,294,309 | 5,743,355 | 4,122,227 |
| Capital grants and contributions | 795,412 | - | - | - | 795,412 | - |
| General revenues: | | | | | | |
| Property taxes | 28,647,917 | 25,923,077 | - | - | 28,647,917 | 25,923,077 |
| Payments in lieu of taxes | 841,404 | - | - | - | 841,404 | - |
| Grants and entitlements | 15,389,342 | 16,099,687 | - | - | 15,389,342 | 16,099,687 |
| Investment earnings | 83,674 | 109,800 | 721 | - | 84,395 | 109,800 |
| Other | 348,678 | 13,427 | 202,637 | 25,681 | 551,315 | 39,101 |
| Total revenues | <u>51,585,420</u> | <u>46,165,236</u> | <u>4,037,090</u> | <u>3,701,339</u> | <u>55,622,510</u> | <u>49,866,577</u> |
| Expenses | | | | | | |
| Program expenses: | | | | | | |
| Instruction: | | | | | | |
| Regular | 18,803,813 | 17,895,955 | - | - | 18,803,813 | 17,895,955 |
| Special | 6,487,083 | 5,059,465 | - | - | 6,487,083 | 5,059,465 |
| Vocational | 378,717 | 469,588 | - | - | 378,717 | 469,588 |
| Other | 2,968,883 | 2,630,384 | - | - | 2,968,883 | 2,630,384 |
| Support services: | | | | | | |
| Pupil | 2,044,240 | 1,997,500 | - | - | 2,044,240 | 1,997,500 |
| Instructional staff | 529,289 | 2,121,988 | - | - | 529,289 | 2,121,988 |
| Board of education | 70,196 | 177,106 | - | - | 70,196 | 177,106 |
| Administration | 2,832,669 | 2,757,385 | - | - | 2,832,669 | 2,757,385 |
| Fiscal | 745,698 | 893,539 | - | - | 745,698 | 893,539 |
| Business | 187,472 | 168,057 | - | - | 187,472 | 168,057 |
| Operations and maintenance | 4,444,369 | 4,268,094 | - | - | 4,444,369 | 4,268,094 |
| Pupil transportation | 1,841,021 | 2,089,921 | - | - | 1,841,021 | 2,089,921 |
| Central | 462,313 | 682,057 | - | - | 462,313 | 682,057 |
| Operation of non-instructional services | 643,374 | 749,859 | - | - | 643,374 | 749,859 |
| Extracurricular activities | 719,494 | 650,860 | - | - | 719,494 | 650,860 |
| Depreciation expense | | | | | | |
| not included in other functions | 90,356 | 90,356 | - | - | 90,356 | 90,356 |
| Interest and fiscal charges | 644,545 | 857,994 | - | - | 644,545 | 857,994 |
| Food service operations | - | - | 1,676,150 | 1,582,977 | 1,676,150 | 1,582,977 |
| Uniform school supplies | - | - | 13,946 | 286 | 13,946 | 286 |
| Recreation Center | - | - | 248,742 | 210,312 | 248,742 | 210,312 |
| Education costs for outside entities | - | - | 1,891,554 | 1,859,122 | 1,891,554 | 1,859,122 |
| Before/after school child care | - | - | 33,976 | 29,151 | 33,976 | 29,151 |
| Total expenses | <u>43,893,532</u> | <u>43,560,108</u> | <u>3,864,368</u> | <u>3,681,848</u> | <u>47,757,900</u> | <u>47,241,956</u> |
| Transfers | - | (7,500) | - | 7,500 | - | - |
| Changes in net position | 7,691,888 | 2,597,628 | 172,722 | 26,991 | 7,864,610 | 2,624,621 |
| Net position at beginning of year (restated) | <u>42,343,580</u> | <u>39,745,952</u> | <u>2,156,108</u> | <u>2,129,117</u> | <u>44,499,688</u> | <u>41,875,601</u> |
| Net position at end of year | <u>\$ 50,035,468</u> | <u>\$ 42,343,580</u> | <u>\$ 2,328,830</u> | <u>\$ 2,156,108</u> | <u>\$ 52,364,298</u> | <u>\$ 44,499,622</u> |

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Governmental Activities

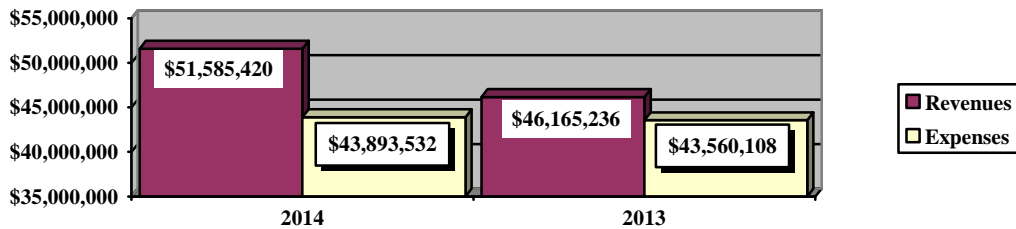
For fiscal year 2014, the net position of the District's governmental activities increased \$7,691,888. Total governmental expenses of \$43,893,532 were offset by program revenues of \$6,274,405 and general revenues of \$45,311,015. Program revenues supported 14.29% of the total governmental expenses. Program revenues increased \$2,255,160 or 56.11% primarily due to operating grants and contributions and due to the receipt of a capital contribution received in fiscal year 2014 supporting the athletic field upgrades.

General revenues increased \$3,165,024 primarily due an increase in property tax revenues and the receipt of a one-time payment in lieu of taxes related to a Long Road TIF. The increase in property tax revenues was due to the timing of a tax advance received from the County at the end of fiscal year 2012 which affected the tax revenues reported for 2013.

Governmental activities expenses remained consistent with prior year, increasing \$333,424, or 0.77% from the prior year. Regular instruction expenses and special instruction expenses increased \$907,858 and \$1,427,618, respectively, while instructional staff support services expenses decreased \$1,592,699 primarily due to newly required Uniform School Accounting System (USAS) reclassification of support services expenses to either regular instruction expenses or special education instruction expenses as appropriate.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

Governmental Activities - Revenues and Expenses



**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The statement of activities 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 for 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

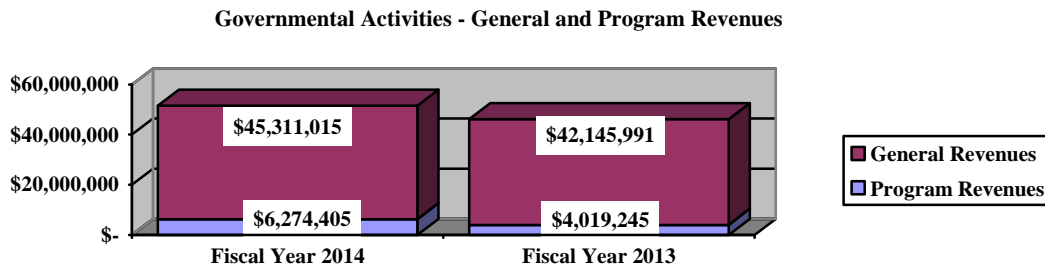
Governmental Activities

| | Total Cost of Services <u>2014</u> | Net Cost of Services <u>2014</u> | Total Cost of Services <u>2013</u> | Net Cost of Services <u>2013</u> |
|---|--|--|--|--|
| Program expenses: | | | | |
| Instruction: | | | | |
| Regular | \$ 18,803,813 | \$ 17,828,540 | \$ 17,895,955 | \$ 16,940,525 |
| Special | 6,487,083 | 3,287,642 | 5,059,465 | 3,353,093 |
| Vocational | 378,717 | 352,994 | 469,588 | 469,588 |
| Other | 2,968,883 | 2,943,614 | 2,630,384 | 2,609,203 |
| Support services: | | | | |
| Pupil | 2,044,240 | 2,008,913 | 1,997,500 | 1,973,985 |
| Instructional staff | 529,289 | 326,126 | 2,121,988 | 1,659,838 |
| Board of education | 70,196 | 70,196 | 177,106 | 177,106 |
| Administration | 2,832,669 | 2,832,669 | 2,757,385 | 2,757,385 |
| Fiscal | 745,698 | 722,866 | 893,539 | 860,252 |
| Business | 187,472 | 187,472 | 168,057 | 168,057 |
| Operations and maintenance | 4,444,369 | 4,369,189 | 4,268,094 | 4,265,271 |
| Pupil transportation | 1,841,021 | 1,697,939 | 2,089,921 | 2,088,537 |
| Central | 462,313 | 449,713 | 682,057 | 665,857 |
| Operation of non-instructional services | 643,374 | 143,268 | 749,859 | 369,005 |
| Extracurricular activities | 719,494 | (336,915) | 650,860 | 238,785 |
| Depreciation expense not included in other functions | 90,356 | 90,356 | 90,356 | 90,356 |
| Interest and fiscal charges | 644,545 | 644,545 | 857,994 | 854,020 |
| Total expenses | <u>\$ 43,893,532</u> | <u>\$ 37,619,127</u> | <u>\$ 43,560,108</u> | <u>\$ 39,540,863</u> |

The net cost of services for extracurricular activities fluctuated as the District received a \$795,412 capital contribution supporting the athletic field upgrades in fiscal year 2014.

The dependence upon tax revenues during fiscal year 2014 for governmental activities is apparent, as 85.24% of 2014 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.71%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.



**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Business-type Activities

Business-type activities include food service operation, uniform school supplies, recreation center, education cost for outside entities, and before/after school child care program. These programs had revenues of \$4,037,090 and expenses of \$3,864,368 for fiscal year 2014. Management reviews these programs to develop policies to allow these services to become self-supporting.

The District's largest business-type activities are food service and education costs for outside entities. Food service operations had \$463,367 in charges for services and sales, \$1,196,346 in operating grants and contributions and had total expenses of \$1,676,150. Food service program revenues were not sufficient to support food service expenses by (\$16,437). Education costs for outside entities had \$1,713,109 in charges for services and sales, \$253,549 in operating grants and contributions and had total expenses of \$1,891,554. Education for outside entities revenues were sufficient to support education for outside entities expenses by \$75,104.

The District's Funds

Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$31,380,578, which is more than last year's fund total of \$26,460,191.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

| | <u>Fund Balance</u> <u>June 30, 2014</u> | <u>Fund Balance</u> <u>June 30, 2013</u> | <u>Change</u> |
|--------------------|---|---|---------------------|
| General | \$ 27,306,840 | \$ 23,411,242 | \$ 3,895,598 |
| Debt service | 1,835,189 | 1,892,525 | (57,336) |
| Other governmental | <u>2,238,549</u> | <u>1,156,424</u> | <u>1,082,125</u> |
| Total | <u>\$ 31,380,578</u> | <u>\$ 26,460,191</u> | <u>\$ 4,920,387</u> |

General Fund

The District's general fund balance increased \$3,895,598. The table that follows assists in illustrating the revenues of the general fund.

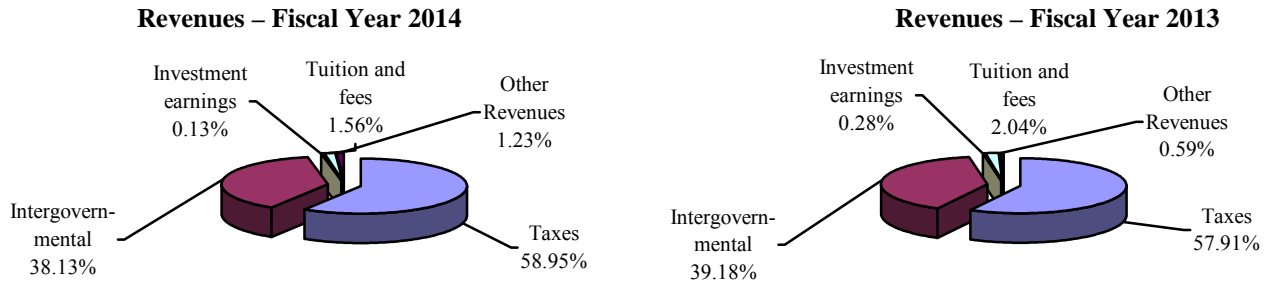
| | <u>2014</u> <u>Amount</u> | <u>2013</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|------------------------|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Property taxes | \$ 25,491,077 | \$ 23,000,420 | \$ 2,490,657 | 10.83 % |
| Intergovernmental | 16,490,671 | 15,561,865 | 928,806 | 5.97 % |
| Investment earnings | 58,125 | 110,035 | (51,910) | (47.18) % |
| Tuition and fees | 673,885 | 808,492 | (134,607) | (16.65) % |
| Other revenues | <u>532,751</u> | <u>235,792</u> | <u>296,959</u> | 125.94 % |
| Total | <u>\$ 43,246,509</u> | <u>\$ 39,716,604</u> | <u>\$ 3,529,905</u> | 8.89 % |

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Property tax revenue increased \$2,490,657 primarily due to the timing of a tax advance received from the County at the end of fiscal year 2012 which effected the tax revenues reported for 2013. Intergovernmental revenues increased due to increased Foundation funding from the State of Ohio. Investment earnings decreased \$51,910 or 47.18% due to the reporting of accruals for accrued interest receivable at June 30, 2013. Tuition and fees revenues decreased \$134,607 or 16.65% due to fewer open enrollment students. Other revenues increased \$296,959 or 125.94% from fiscal year 2013 primarily due to an increase in miscellaneous revenues such as refunds, reimbursements and monies from other local sources.

The graphs below show the District's revenues, by source, for fiscal year 2014 and 2013:



The table that follows assists in illustrating the expenditures of the general fund.

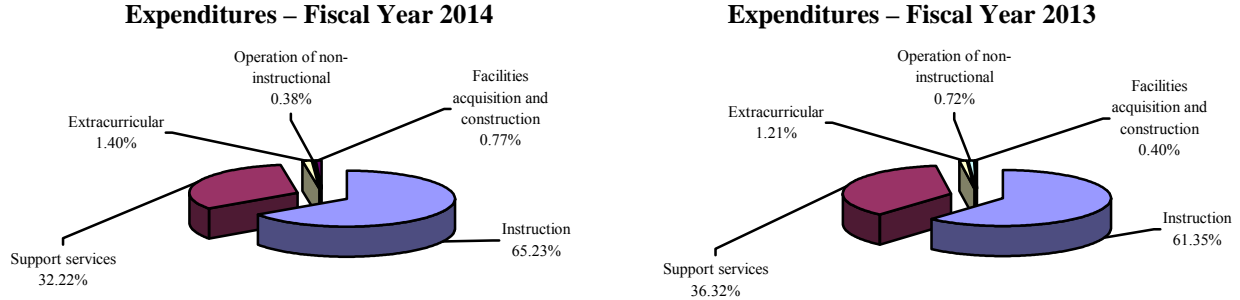
| | 2014 <u>Amount</u> | 2013 <u>Amount</u> | Increase (Decrease) | Percentage Change |
|---|-----------------------|-----------------------|------------------------|----------------------|
| <u>Expenditures</u> | | | | |
| Instruction | \$ 25,659,621 | \$ 23,802,689 | \$ 1,856,932 | 7.80 % |
| Support services | 12,673,064 | 14,090,198 | (1,417,134) | (10.06) % |
| Operation of non-instructional services | 149,785 | 279,874 | (130,089) | (46.48) % |
| Extracurricular activities | 549,915 | 468,950 | 80,965 | 17.27 % |
| Facilities acquisition and construction | <u>303,014</u> | <u>155,610</u> | <u>147,404</u> | 94.73 % |
| Total | <u>\$ 39,335,399</u> | <u>\$ 38,797,321</u> | <u>\$ 538,078</u> | 1.39 % |

In total, expenditures increased 1.39% from 2013. Instruction expenditures increased and support services expenditures decreased due to newly required Uniform School Accounting System (USAS) reclassification of support services expenditures to either regular instruction expenditures or special education instruction expenditures as appropriate. All other expenditures remained consistent by dollar amount with fiscal year 2013.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graphs below show the District's expenditures, by functional area, for fiscal year 2014 and 2013:



Debt Service Fund

The debt service fund had \$3,153,633 in revenues and other financing sources and \$3,210,969 in expenditures. During fiscal 2014, the debt service fund's fund balance decreased \$57,336 from \$1,892,525 to \$1,835,189.

Nonmajor Governmental Funds

The nonmajor governmental funds had \$5,490,806 in revenues and other financing sources and \$4,408,681 in expenditures. During fiscal 2014, the nonmajor governmental fund's fund balance increased \$1,082,125 from \$1,156,424 to \$2,238,549. During fiscal year 2014, the District received a one-time payment in lieu of taxes in the amount of \$841,404 and a \$795,412 contribution to support athletic field upgrades.

Enterprise Funds

The District's nonmajor enterprise funds reported operating revenues of \$2,586,474, operating expenses of \$3,823,411 and nonoperating revenues of \$1,450,616. Net position of the nonmajor enterprise funds increased \$213,679 from \$2,156,108 to \$2,369,787. The nonmajor enterprise funds reported an operating loss of \$1,236,937, however, nonoperating grants and subsidies of \$1,337,206 were sufficient to report a positive change in net position.

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, the final budgeted revenue and other financing sources was \$43,728,524. The original budgeted revenue and other financing sources was \$40,655,268. Actual revenue and other financing sources was \$43,737,284. The difference between the final budgeted revenues and other financing sources and the actual revenues and other financing sources was \$8,760. The difference between the original and final budget of \$3,073,256 was primarily due to anticipated increases in property taxes and state funding.

Total actual expenditures and other financing uses on the budget basis (cash outlays plus encumbrances) were \$40,547,734. This amount was \$1,947,930 less than the final budgeted amount (appropriations plus prior year encumbrances) primarily due to an overestimation of regular instruction expenditures. The final budgeted expenditures and other financing uses were increased \$230,000 from the original budgeted amount. Overall, fund balance on the budget basis increased \$3,189,550 over the prior year.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014, the District had \$34,853,720 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and ice arena. Of this total, \$33,299,082 was reported in governmental activities and \$1,554,638 was reported in business-type activities. The following table shows fiscal 2014 balances compared to 2013:

Capital Assets at June 30 (Net of Depreciation)

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|----------------------------|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 2,507,355 | \$ 2,638,115 | \$ - | \$ - | \$ 2,507,355 | \$ 2,638,115 |
| Construction in progress | 1,070,367 | - | - | - | 1,070,367 | - |
| Land improvements | 87,110 | 150,908 | - | - | 87,110 | 150,908 |
| Buildings and improvements | 24,808,517 | 25,743,603 | 1,538,131 | 1,588,837 | 26,346,648 | 27,332,440 |
| Furniture and equipment | 700,367 | 336,618 | 16,507 | 18,864 | 716,874 | 355,482 |
| Vehicles | 782,185 | 845,950 | - | - | 782,185 | 845,950 |
| Ice arena | 3,343,181 | 3,433,537 | - | - | 3,343,181 | 3,433,537 |
| Total | <u>\$ 33,299,082</u> | <u>\$ 33,148,731</u> | <u>\$ 1,554,638</u> | <u>\$ 1,607,701</u> | <u>\$ 34,853,720</u> | <u>\$ 34,756,432</u> |

Overall capital assets, net of accumulated depreciation, increased \$97,288 from fiscal year 2013 to fiscal year 2014. Capital outlays of \$1,634,157 exceeded depreciation expense of \$1,295,032 and disposals of \$241,837 during the year. See Note 7 to the basic financial statements for more detail on the District's capital assets.

Debt Administration

At June 30, 2014, the District has \$13,027,248 in long-term debt outstanding. Of this total, \$3,043,000 is due within one year and \$9,984,248 is due in greater than one year. The following table summarizes outstanding long-term debt:

Outstanding Debt, at Year End

| | Governmental Activities | Governmental Activities |
|---|----------------------------|----------------------------|
| | <u>2014</u> | <u>2013</u> |
| Long Term Debt: | | |
| General obligation bonds | \$ 9,505,002 | \$ 9,735,002 |
| Capital appreciation bonds | 1,955,000 | 2,586,705 |
| Accreted interest on capital appreciation bonds | 617,246 | 2,142,134 |
| Energy conservation note payable | 950,000 | 1,122,000 |
| Total | <u>\$ 13,027,248</u> | <u>\$ 15,585,841</u> |

Payments of principal and interest on the general obligation bonds and energy conservation note are made from the debt service fund. See Note 8 to the basic financial statements for more detail on the District's long-term obligations.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Current Financial Related Activities

The Wooster City School District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The last levy request for general operating dollars was approved by the taxpayers in 2010.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills, and the owner would still pay \$35.00.

Thus, the District's dependency upon property taxes is hampered by a lack of revenue growth and requires regular return to the voters to maintain a constant level of service. Property taxes made up 55.53% of revenues for governmental activities for the Wooster City Schools in fiscal year 2014.

The District has been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. During the summer of 2005, the Ohio legislature approved Ohio House Bill 66, which includes the phased-out elimination of the tangible personal property tax. This affects taxes on all business tangible property and public utility property (telephone companies and railroads) – roughly 20% of the District's general fund revenues. While this discontinued revenue continues to be partially reimbursed by the State of Ohio through fiscal year 2015, there continues to be uncertainty regarding future commitment of the state legislature to continue these payments to schools. Should this funding source be permanently discontinued, the loss of the remaining revenue would create a funding gap of approximately \$5.5 million to the District's general fund.

In an effort to manage recent state revenue losses without requiring additional revenue from the local community, the district has made numerous rounds of budget reductions equivalent to the value of those funding losses. Such reductions included a building reconfiguration process in 2012 which closed 2 elementary buildings and resulted in greater utilization of capacity at Edgewood Middle School and the Wooster High School.

July 1, 2013 marked the effective date of the new biennial budget for the State of Ohio. With respect to Education, this new budget maintains the personal tangible reimbursement to eligible schools. In addition, the state budget now provides for a newly created school funding formula which is providing some increased state funding to the District in fiscal year 2014 and 2015.

Given these developments, the District does not anticipate an immediate need to seek new operating levy dollars.

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 any questions about this report or need additional information contact: Bonnie West, Treasurer, at Wooster City School District, 144 N. Market Street, Wooster, Ohio 44691.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets: | | | |
| Equity in pooled cash and cash equivalents. . . | \$ 35,523,231 | \$ 237,569 | \$ 35,760,800 |
| Receivables: | | | |
| Property taxes | 28,681,695 | - | 28,681,695 |
| Accounts. | 16,296 | 27,641 | 43,937 |
| Accrued interest | 8,184 | - | 8,184 |
| Intergovernmental | 1,200,160 | 1,117,684 | 2,317,844 |
| Internal balance | (482) | 482 | - |
| Inventory held for resale | - | 30,907 | 30,907 |
| Nondepreciable capital assets | 3,577,722 | - | 3,577,722 |
| Depreciable capital assets, net. | 29,721,360 | 1,554,638 | 31,275,998 |
| Total assets. | <u>98,728,166</u> | <u>2,968,921</u> | <u>101,697,087</u> |
| Deferred outflows of resources: | | | |
| Unamortized deferred charges on debt refunding | 35,456 | - | 35,456 |
| Liabilities: | | | |
| Accounts payable. | 440,535 | 24,177 | 464,712 |
| Contracts payable. | 598,702 | - | 598,702 |
| Retainage payable | 66,030 | - | 66,030 |
| Accrued wages and benefits payable | 3,497,895 | 271,101 | 3,768,996 |
| Pension obligation payable. | 639,172 | 58,124 | 697,296 |
| Intergovernmental payable | 550,696 | 14,428 | 565,124 |
| Accrued interest payable | 39,178 | - | 39,178 |
| Long-term liabilities: | | | |
| Due within one year. | 3,820,612 | 45,994 | 3,866,606 |
| Due in more than one year. | 13,176,887 | 226,267 | 13,403,154 |
| Total liabilities | <u>22,829,707</u> | <u>640,091</u> | <u>23,469,798</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year. . . | 25,898,447 | - | 25,898,447 |
| Net position: | | | |
| Net investment in capital assets | 21,122,304 | 1,554,638 | 22,676,942 |
| Restricted for: | | | |
| Capital projects | 2,763,542 | - | 2,763,542 |
| Debt service. | 1,254,391 | - | 1,254,391 |
| Locally funded programs | 18,793 | - | 18,793 |
| State funded programs. | 58,048 | - | 58,048 |
| Federally funded programs | 311,518 | - | 311,518 |
| Public school support | 46,672 | - | 46,672 |
| Extracurricular | 236,526 | - | 236,526 |
| Other purposes | 3,002 | - | 3,002 |
| Unrestricted | 24,220,672 | 774,192 | 24,994,864 |
| Total net position. | <u>\$ 50,035,468</u> | <u>\$ 2,328,830</u> | <u>\$ 52,364,298</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Expenses | Program Revenues | | |
|---|---------------|--------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 18,803,813 | \$ 807,637 | \$ 167,636 | \$ - |
| Special | 6,487,083 | 43,007 | 3,156,434 | - |
| Vocational | 378,717 | - | 25,723 | - |
| Other | 2,968,883 | - | 25,269 | - |
| Support services: | | | | |
| Pupil | 2,044,240 | - | 35,327 | - |
| Instructional staff | 529,289 | - | 203,163 | - |
| Board of education | 70,196 | - | - | - |
| Administration | 2,832,669 | - | - | - |
| Fiscal | 745,698 | - | 22,832 | - |
| Business | 187,472 | - | - | - |
| Operations and maintenance | 4,444,369 | 75,080 | 100 | - |
| Pupil transportation | 1,841,021 | - | 143,082 | - |
| Central | 462,313 | - | 12,600 | - |
| Operation of non-instructional services | 643,374 | - | 500,106 | - |
| Extracurricular activities | 719,494 | 259,809 | 1,188 | 795,412 |
| Depreciation expense not included in other functions (see Note 7) | 90,356 | - | - | - |
| Interest and fiscal charges | 644,545 | - | - | - |
| Total governmental activities | 43,893,532 | 1,185,533 | 4,293,460 | 795,412 |
| Business-type activities: | | | | |
| Food service | 1,676,150 | 463,367 | 1,196,346 | - |
| Uniform school supplies | 13,946 | 198 | - | - |
| Recreation center | 248,742 | 166,040 | - | - |
| Education costs for outside entities | 1,891,554 | 1,713,109 | 253,549 | - |
| Before/after school child care | 33,976 | 41,123 | - | - |
| Total business-type activities | 3,864,368 | 2,383,837 | 1,449,895 | - |
| Totals | \$ 47,757,900 | \$ 3,569,370 | \$ 5,743,355 | \$ 795,412 |

General revenues:

Property taxes levied for:

- General purposes
- Debt service
- Capital outlay
- Payments in lieu of taxes
- Grants and entitlements not restricted to specific programs
- Gain on sale of capital assets
- Investment earnings
- Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year (restated) .

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

| Governmental Activities | Business-Type Activities | Total |
|------------------------------------|-------------------------------------|-----------------|
| \$ (17,828,540) | \$ - | \$ (17,828,540) |
| (3,287,642) | - | (3,287,642) |
| (352,994) | - | (352,994) |
| (2,943,614) | - | (2,943,614) |
| (2,008,913) | - | (2,008,913) |
| (326,126) | - | (326,126) |
| (70,196) | - | (70,196) |
| (2,832,669) | - | (2,832,669) |
| (722,866) | - | (722,866) |
| (187,472) | - | (187,472) |
| (4,369,189) | - | (4,369,189) |
| (1,697,939) | - | (1,697,939) |
| (449,713) | - | (449,713) |
| (143,268) | - | (143,268) |
| 336,915 | - | 336,915 |
| (90,356) | - | (90,356) |
| (644,545) | - | (644,545) |
| (37,619,127) | - | (37,619,127) |
| - | (16,437) | (16,437) |
| - | (13,748) | (13,748) |
| - | (82,702) | (82,702) |
| - | 75,104 | 75,104 |
| - | 7,147 | 7,147 |
| - | (30,636) | (30,636) |
| (37,619,127) | (30,636) | (37,649,763) |
| 25,515,456 | - | 25,515,456 |
| 2,667,657 | - | 2,667,657 |
| 464,804 | - | 464,804 |
| 841,404 | - | 841,404 |
| 15,389,342 | - | 15,389,342 |
| 62,151 | - | 62,151 |
| 83,674 | 721 | 84,395 |
| 286,527 | 202,637 | 489,164 |
| 45,311,015 | 203,358 | 45,514,373 |
| 7,691,888 | 172,722 | 7,864,610 |
| 42,343,580 | 2,156,108 | 44,499,688 |
| \$ 50,035,468 | \$ 2,328,830 | \$ 52,364,298 |

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

| | <u>General</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-------------------------|--|---|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 30,073,487 | \$ 1,652,162 | \$ 3,356,591 | \$ 35,082,240 |
| Receivables: | | | | |
| Property taxes. | 25,550,876 | 2,665,452 | 465,367 | 28,681,695 |
| Accounts | 5,995 | - | - | 5,995 |
| Accrued interest | 8,184 | - | - | 8,184 |
| Interfund loans | 565,000 | - | - | 565,000 |
| Intergovernmental. | 322,185 | - | 877,975 | 1,200,160 |
| Total assets | <u>\$ 56,525,727</u> | <u>\$ 4,317,614</u> | <u>\$ 4,699,933</u> | <u>\$ 65,543,274</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 351,917 | \$ - | \$ 88,618 | \$ 440,535 |
| Contracts payable. | - | - | 598,702 | 598,702 |
| Retainage payable. | - | - | 66,030 | 66,030 |
| Accrued wages and benefits payable | 3,343,098 | - | 154,797 | 3,497,895 |
| Compensated absences payable | 217,624 | - | - | 217,624 |
| Intergovernmental payable | 424,101 | - | 126,595 | 550,696 |
| Pension obligation payable | 611,833 | - | 27,339 | 639,172 |
| Interfund loans payable. | - | - | 463,000 | 463,000 |
| Due to other funds | 143,439 | - | - | 143,439 |
| Total liabilities. | <u>5,092,012</u> | <u>-</u> | <u>1,525,081</u> | <u>6,617,093</u> |
| Deferred inflows of resources: | | | | |
| Property taxes levied for the next fiscal year. . . | 23,071,440 | 2,406,799 | 420,208 | 25,898,447 |
| Delinquent property tax revenue not available. . | 724,946 | 75,626 | 13,204 | 813,776 |
| Accrued interest not available | 8,184 | - | - | 8,184 |
| Intergovernmental revenue not available | 170,175 | - | 502,891 | 673,066 |
| Tuition revenue not available | 152,130 | - | - | 152,130 |
| Total deferred inflows of resources | <u>24,126,875</u> | <u>2,482,425</u> | <u>936,303</u> | <u>27,545,603</u> |
| Fund balances: | | | | |
| Restricted: | | | | |
| Debt service | - | 1,835,189 | - | 1,835,189 |
| Capital improvements | - | - | 2,085,606 | 2,085,606 |
| Non-public schools | - | - | 48,816 | 48,816 |
| Other purposes. | - | - | 64,953 | 64,953 |
| Extracurricular | - | - | 236,526 | 236,526 |
| Assigned: | | | | |
| Student instruction | 277,340 | - | - | 277,340 |
| Student and staff support. | 658,323 | - | - | 658,323 |
| Operation of non-instructional | 25 | - | - | 25 |
| Public school support | 71,519 | - | - | 71,519 |
| Unassigned (deficit) | 26,299,633 | - | (197,352) | 26,102,281 |
| Total fund balances | <u>27,306,840</u> | <u>1,835,189</u> | <u>2,238,549</u> | <u>31,380,578</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 56,525,727</u> | <u>\$ 4,317,614</u> | <u>\$ 4,699,933</u> | <u>\$ 65,543,274</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

| | | | |
|--|----|--------------|--------------|
| Total governmental fund balances | | \$ | 31,380,578 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 33,299,082 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Property taxes receivable | \$ | 813,776 | |
| Accrued interest receivable | | 8,184 | |
| Accounts receivable | | 120 | |
| Intergovernmental receivable | | 825,076 | |
| Total | | 825,076 | 1,647,156 |
| Internal service funds are used by management to charge the costs of medical and dental insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net position. The net position of the internal service funds, including internal balances of \$40,957, is: | | | 492,249 |
| Unamortized premiums on bonds issued are not recognized in the funds. | | | (87,500) |
| Deferred outflows of resources related to unamortized deferred charges on debt refundings are not recognized in the funds. | | | 35,456 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (39,178) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| General obligation bonds | | (9,505,002) | |
| Notes payable | | (950,000) | |
| Capital appreciation bonds | | (1,955,000) | |
| Accreted interest on capital appreciation bonds | | (617,246) | |
| Compensated absences payable | | (3,665,127) | |
| Total | | (16,692,375) | (16,692,375) |
| Net position of governmental activities | | \$ | 50,035,468 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | <u>General</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-------------------------|--|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 25,491,077 | \$ 2,666,225 | \$ 464,449 | \$ 28,621,751 |
| Payment in lieu of taxes | - | - | 841,404 | 841,404 |
| Tuition and fees. | 673,885 | - | - | 673,885 |
| Earnings on investments | 58,125 | 4,720 | 10,226 | 73,071 |
| Extracurricular. | 140,256 | - | 137,263 | 277,519 |
| Classroom materials and fees | 37,653 | - | - | 37,653 |
| Rental income | 75,080 | - | - | 75,080 |
| Contributions and donations | - | - | 887,966 | 887,966 |
| Contract services. | - | - | 6,005 | 6,005 |
| Other local revenues | 279,762 | - | 9,286 | 289,048 |
| Intergovernmental - intermediate | - | - | 7,494 | 7,494 |
| Intergovernmental - state | 16,490,671 | 452,688 | 752,601 | 17,695,960 |
| Intergovernmental - federal | - | - | 2,084,612 | 2,084,612 |
| Total revenues | <u>43,246,509</u> | <u>3,123,633</u> | <u>5,201,306</u> | <u>51,571,448</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular. | 17,619,916 | - | 327,214 | 17,947,130 |
| Special | 4,723,449 | - | 1,600,420 | 6,323,869 |
| Vocational | 372,184 | - | - | 372,184 |
| Other | 2,944,072 | - | 24,811 | 2,968,883 |
| Support services: | | | | |
| Pupil | 2,035,403 | - | 33,822 | 2,069,225 |
| Instructional staff | 403,532 | - | 284,462 | 687,994 |
| Board of education | 70,366 | - | - | 70,366 |
| Administration | 2,939,664 | - | - | 2,939,664 |
| Fiscal | 719,050 | - | 27,783 | 746,833 |
| Business. | 185,837 | - | - | 185,837 |
| Operations and maintenance | 4,049,931 | - | 166,262 | 4,216,193 |
| Pupil transportation | 1,807,839 | - | 12,530 | 1,820,369 |
| Central | 461,442 | - | 12,600 | 474,042 |
| Operation of non-instructional services | 149,785 | - | 476,479 | 626,264 |
| Extracurricular activities | 549,915 | - | 159,021 | 708,936 |
| Facilities acquisition and construction. | 303,014 | - | 1,283,277 | 1,586,291 |
| Debt service: | | | | |
| Principal retirement. | - | 2,757,000 | - | 2,757,000 |
| Interest and fiscal charges | - | 453,969 | - | 453,969 |
| Total expenditures | <u>39,335,399</u> | <u>3,210,969</u> | <u>4,408,681</u> | <u>46,955,049</u> |
| Excess of revenues over (under) expenditures | <u>3,911,110</u> | <u>(87,336)</u> | <u>792,625</u> | <u>4,616,399</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 14,488 | - | 289,500 | 303,988 |
| Transfers in. | - | 30,000 | - | 30,000 |
| Transfers (out) | (30,000) | - | - | (30,000) |
| Total other financing sources (uses) | <u>(15,512)</u> | <u>30,000</u> | <u>289,500</u> | <u>303,988</u> |
| Net change in fund balances | 3,895,598 | (57,336) | 1,082,125 | 4,920,387 |
| Fund balances at beginning of year. | <u>23,411,242</u> | <u>1,892,525</u> | <u>1,156,424</u> | <u>26,460,191</u> |
| Fund balances at end of year. | <u>\$ 27,306,840</u> | <u>\$ 1,835,189</u> | <u>\$ 2,238,549</u> | <u>\$ 31,380,578</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$ 4,920,387

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | |
|---------------------------|--------------|---------|
| Capital asset additions | \$ 1,634,157 | |
| Current year depreciation | (1,241,969) | |
| Total | | 392,188 |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (241,837)

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

| | | |
|---------------------------------|--------|---------|
| Delinquent property tax revenue | 26,166 | |
| Earnings on investments | 8,184 | |
| Intergovernmental | 83,839 | |
| Total | | 118,189 |

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

Principal payments during the year were:

| | | |
|-------|-----------|-----------|
| Bonds | 2,585,000 | |
| Notes | 172,000 | |
| Total | | 2,757,000 |

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:

| | | |
|---|-----------|-----------|
| Increase in accrued interest payable | (5,158) | |
| Accreted interest on capital appreciation bonds | (198,407) | |
| Amortization of bond premiums | 21,875 | |
| Amortization of deferred charges on debt refundings | (8,886) | |
| Total | | (190,576) |

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 432,965

Internal service funds used by management to charge the costs of medical and dental insurance to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balance activity of \$40,957, is allocated among the governmental activities. (496,428)

Change in net position of governmental activities \$ 7,691,888

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-----------------------------|-----------------------------|-----------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 23,833,242 | \$ 25,650,429 | \$ 25,560,030 | \$ (90,399) |
| Tuition and fees | 567,018 | 611,633 | 675,330 | 63,697 |
| Earnings on investments | 80,630 | 87,280 | 110,896 | 23,616 |
| Extracurricular | 113,830 | 122,296 | 111,681 | (10,615) |
| Classroom materials and fees | 47,429 | 50,772 | 37,578 | (13,194) |
| Rental income | 66,401 | 71,426 | 69,380 | (2,046) |
| Other local revenues | 239,281 | 257,919 | 275,772 | 17,853 |
| Intergovernmental - state | 15,319,937 | 16,489,269 | 16,490,671 | 1,402 |
| Total revenues | <u>40,267,768</u> | <u>43,341,024</u> | <u>43,331,338</u> | <u>(9,686)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 18,806,626 | 18,799,827 | 17,612,770 | 1,187,057 |
| Special | 4,483,655 | 4,593,621 | 4,523,090 | 70,531 |
| Vocational | 418,402 | 412,724 | 397,853 | 14,871 |
| Other | 2,854,436 | 2,910,276 | 2,907,341 | 2,935 |
| Support services: | | | | |
| Pupil | 2,088,657 | 2,110,956 | 2,068,924 | 42,032 |
| Instructional staff | 555,389 | 565,517 | 552,989 | 12,528 |
| Board of education | 124,341 | 144,166 | 130,625 | 13,541 |
| Administration | 2,984,379 | 3,014,433 | 2,910,701 | 103,732 |
| Fiscal | 983,622 | 986,882 | 971,015 | 15,867 |
| Business | 220,111 | 222,136 | 185,915 | 36,221 |
| Operations and maintenance | 4,567,695 | 4,354,236 | 4,104,694 | 249,542 |
| Pupil transportation | 2,174,479 | 2,170,873 | 2,014,931 | 155,942 |
| Central | 428,535 | 484,955 | 474,718 | 10,237 |
| Operation of non-instructional services | 163,614 | 163,689 | 141,303 | 22,386 |
| Extracurricular activities | 472,873 | 507,523 | 497,241 | 10,282 |
| Facilities acquisition and construction | 458,850 | 458,850 | 458,624 | 226 |
| Total expenditures | <u>41,785,664</u> | <u>41,900,664</u> | <u>39,952,734</u> | <u>1,947,930</u> |
| Excess of revenues over (under) expenditures | <u>(1,517,896)</u> | <u>1,440,360</u> | <u>3,378,604</u> | <u>1,938,244</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | - | - | 3,958 | 3,958 |
| Transfers (out) | (30,000) | (30,000) | (30,000) | - |
| Advances in | 387,500 | 387,500 | 387,500 | - |
| Advances (out) | (450,000) | (565,000) | (565,000) | - |
| Sale of capital assets | - | - | 14,488 | 14,488 |
| Total other financing sources (uses) | <u>(92,500)</u> | <u>(207,500)</u> | <u>(189,054)</u> | <u>18,446</u> |
| Net change in fund balance | (1,610,396) | 1,232,860 | 3,189,550 | 1,956,690 |
| Fund balance at beginning of year | 24,044,568 | 24,044,568 | 24,044,568 | - |
| Prior year encumbrances appropriated | 1,480,664 | 1,480,664 | 1,480,664 | - |
| Fund balance at end of year | <u>\$ 23,914,836</u> | <u>\$ 26,758,092</u> | <u>\$ 28,714,782</u> | <u>\$ 1,956,690</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

| | Business-Type Activities - Nonmajor Enterprise Funds | Governmental Activities - Internal Service Funds |
|---|---|---|
| | Funds | Service Funds |
| Assets: | | |
| Current assets: | | |
| Equity in pooled cash and cash equivalents | \$ 237,569 | \$ 440,991 |
| Receivables: | | |
| Accounts | 27,641 | 10,301 |
| Intergovernmental. | 1,117,684 | - |
| Inventory held for resale | 30,907 | - |
| Due from other funds | 143,439 | - |
| | 1,557,240 | 451,292 |
| Total current assets | | |
| Noncurrent assets: | | |
| Depreciable capital assets, net | 1,554,638 | - |
| | 3,111,878 | 451,292 |
| Total assets. | | |
| Liabilities: | | |
| Accounts payable. | 24,177 | - |
| Accrued wages and benefits | 271,101 | - |
| Compensated absences payable - current | 45,994 | - |
| Pension obligation payable. | 58,124 | - |
| Interfund loan payable | 102,000 | - |
| Intergovernmental payable | 14,428 | - |
| | 515,824 | - |
| Total current liabilities | | |
| Long-term liabilities: | | |
| Compensated absences payable. | 226,267 | - |
| | 742,091 | - |
| Total liabilities | | |
| Net position: | | |
| Investment in capital assets | 1,554,638 | - |
| Restricted | - | 451,292 |
| Unrestricted. | 815,149 | - |
| | 2,369,787 | \$ 451,292 |
| Total net position. | | |
| Adjustment to reflect consolidation of the internal service fund activities related to enterprise funds | (40,957) | |
| | \$ 2,328,830 | |
| Net position of business-type activities | | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Business-Type Activities - Nonmajor Enterprise Funds | Governmental Activities - Internal Service Funds |
|---|---|---|
| | Funds | Service Funds |
| Operating revenues: | | |
| Tuition and fees | \$ 1,879,149 | \$ - |
| Sales/charges for services | 504,242 | 5,680,561 |
| Other | 203,083 | 18,181 |
| Total operating revenues | 2,586,474 | 5,698,742 |
| Operating expenses: | | |
| Salaries and wages | 1,840,023 | - |
| Fringe benefits | 497,526 | - |
| Purchased services | 1,245,487 | 6,239,766 |
| Materials and supplies | 182,626 | - |
| Other | 4,686 | 168 |
| Depreciation | 53,063 | - |
| Total operating expenses | 3,823,411 | 6,239,934 |
| Operating loss | (1,236,937) | (541,192) |
| Nonoperating revenues: | | |
| Grants and subsidies | 1,337,206 | - |
| Interest revenue | 721 | 3,807 |
| Federal donated commodities | 112,689 | - |
| Total nonoperating revenues | 1,450,616 | 3,807 |
| Change in net position | 213,679 | (537,385) |
| Net position at beginning of year | 2,156,108 | 988,677 |
| Net position at end of year | \$ 2,369,787 | \$ 451,292 |
| <u>Reconciliation to statement of activities:</u> | | |
| Change in net position | \$ 213,679 | |
| Adjustment to reflect consolidation of the internal service fund activities related to enterprise funds | (40,957) | |
| Change in net position of business-type activities | \$ 172,722 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Business-Type Activities - Nonmajor Enterprise Funds | Governmental Activities - Internal Service Funds |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from tuition and fees | \$ 1,727,322 | \$ - |
| Cash received from sales/charges for services. | 502,724 | 5,680,561 |
| Cash received from other operations | 203,083 | 7,880 |
| Cash payments for personal services. | (2,322,813) | - |
| Cash payments for purchased services | (1,221,708) | (6,239,766) |
| Cash payments for materials and supplies | (85,115) | - |
| Cash payments for other expenses | (4,686) | (168) |
| | <u>(1,201,193)</u> | <u>(551,493)</u> |
| Cash flows from noncapital financing activities: | | |
| Cash received from grants and subsidies. | 1,307,243 | - |
| Cash received from interfund loans | 102,000 | - |
| Cash used in repayment of interfund loans. | (325,000) | (7,500) |
| | <u>1,084,243</u> | <u>(7,500)</u> |
| Cash flows from investing activities: | | |
| Interest received | 721 | 3,807 |
| | <u>721</u> | <u>3,807</u> |
| Net decrease in cash and cash equivalents | (116,229) | (555,186) |
| Cash and cash equivalents at beginning of year | 353,798 | 996,177 |
| Cash and cash equivalents at end of year | \$ 237,569 | \$ 440,991 |
| | <u>\$ 237,569</u> | <u>\$ 440,991</u> |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (1,236,937) | \$ (541,192) |
| Adjustments: | | |
| Depreciation. | 53,063 | - |
| Federal donated commodities | 112,689 | - |
| Changes in assets and liabilities: | | |
| Decrease in inventory held for resale | 4,396 | - |
| (Increase) decrease in accounts receivable. | (27,641) | 284,995 |
| Decrease in intergovernmental receivable. | 31,154 | - |
| (Increase) in due from other funds | (143,439) | - |
| Increase in accounts payable | 4,205 | - |
| Increase in accrued wages and benefits | 41,289 | - |
| (Decrease) in intergovernmental payable. | (61,434) | - |
| (Decrease) in compensated absences payable. | (36,662) | - |
| Increase in pension obligation payable. | 58,124 | - |
| (Decrease) in unearned revenue | - | (295,296) |
| | <u>(1,201,193)</u> | <u>(551,493)</u> |
| Net cash used in operating activities | <u>\$ (1,201,193)</u> | <u>\$ (551,493)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

| | Private-Purpose Trust | |
|--|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and cash equivalents . . . | \$ 1,290 | \$ 213,283 |
| Receivables: | | |
| Accounts | - | 115 |
| Total assets. | 1,290 | \$ 213,398 |
| Liabilities: | | |
| Accounts payable. | 85 | \$ 2,224 |
| Intergovernmental payable | - | 23,078 |
| Due to students. | - | 188,096 |
| Total liabilities | 85 | \$ 213,398 |
| Net position: | | |
| Held in trust for scholarships | \$ 1,205 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Private-Purpose Trust |
|--|----------------------------------|
| | Scholarship |
| Additions: | |
| Gifts and contributions. | \$ 1,628 |
| Deductions: | |
| Payments in accordance with Trust Agreements | 1,305 |
| Change in net position | 323 |
| Net position at beginning of year. | 882 |
| Net position at end of year | \$ 1,205 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the District's ten instructional/support facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, special needs school (Boys Village), 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. 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 no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The City of Wooster and the Wooster Public Library perform activities within the District's boundaries for the benefit of residents and are excluded from accompanying financial statements of the District. Both are legally separate entities that are not fiscally dependent on the District. The District is not financially accountable for either of these two entities.

The District participates in two public entity risk pools and one jointly governed organization. These organizations include the Ohio School Comp Workers' Compensation Group Rating Program (GRP), the Stark County Schools Council of Governments Health Benefit Plan (Stark County Schools COG HBP) and the Tri-County Computer Services Association (TCCSA). These organizations are presented in Notes 10 and 14 to the basic financial statements.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

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. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid “doubling up” of revenues and expenses.

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

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

C. 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.

GOVERNMENTAL FUNDS

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

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following are the District's major governmental funds:

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

Debt Service Fund - The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, principal and interest obligations relative to the District's general obligation bonds.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUND TYPE

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the District's proprietary fund types:

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District reports enterprise operations to account for food service, uniform school supplies, recreation center, education costs for outside entities, and before/after school child care.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's internal service funds account for a former self-insurance program for employee health insurance benefits and employee dental benefits. The self-insurance programs ended December 31, 2012 with run out claims being paid in fiscal years 2013 and 2014. For the period January 1, 2013 through May 30, 2014, the District continued to deposit applicable fund premiums and paid purchased insurance expenses to the Stark County Schools COG HBP utilizing the internal service funds. Effective June 1, 2014, the District discontinued the use of the internal service funds and reported payments to the Stark County Schools COG HBP directly from the applicable funds.

FIDUCIARY FUNDS

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

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund activities.

E. Basis of Accounting

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

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

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources on both the fund financial statements and the government-wide financial statements. On the governmental fund financial statements, receivables for grants, interest and tuition not received within the available period, and grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources.

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

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

F. Cash and Cash Equivalents

To improve cash management, all 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 District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2014, investments were limited a repurchase agreement, non-negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and non-negotiable certificates of deposit, are reported at cost.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District invested funds in STAR Ohio during fiscal year 2014. 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 the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$58,125, which includes \$963 assigned from other District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

G. Inventory

Within the basic financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of the general fund were not significant at year-end. Inventories of the food service enterprise fund consist of donated and purchased food and supplies.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had no restricted assets at June 30, 2014.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> | <u>Business-Type Activities Estimated Lives</u> |
|----------------------------|--|---|
| Land | N/A | N/A |
| Land Improvements | 5 Years | N/A |
| Buildings and Improvements | 10 - 40 Years | 10 - 40 Years |
| Furniture and Equipment | 5 - 20 Years | 20 Years |
| Vehicles | 13 Years | N/A |
| Textbooks | 5 Years | N/A |
| Ice Arena | 50 Years | N/A |

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables" and receivables and payables resulting from interfund goods and services provided are classified and "due to/due from other funds." These interfund balances are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as a component of "internal balance" on the statement of net position.

K. Compensated Absences

GASB Statement No. 16 specifies that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met.

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The District has accrued a liability for these compensated absences using the termination method when the following criterion is met.

The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments").

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The sick leave liability has been based on the District's past experience of making termination payments for sick leave.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

M. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 8.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing (including contracts and retainage payable) used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for school support.

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

O. 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:

Nonspendable - The nonspendable 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. It also includes the long-term amount of loans receivable.

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.

**WOOSTER CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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 expenditures 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, uniform school supplies, recreation center fees, costs for outside entities, before/after school child care, and charges for services for insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as nonoperating.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year.

R. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2014.

T. Estimates

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

U. Budgetary Data

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

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

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

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", GASB Statement No. 66, "Technical Corrections-2012", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. For the District, the implementation of GASB Statement No. 65 has changed (1) the classification of certain items, including the deferral of property taxes levied for the subsequent fiscal year, previously reported as liabilities to *deferred inflows of resources*, (2) the classification of unamortized deferred charges on debt refunding transactions from a reduction of liabilities to *deferred outflows of resources*, (3) the reporting of debt issuance costs to an expense in the period incurred rather than amortized over the term of the related debt issuance and (4) net position of the District as previously reported to remove unamortized bond issuance costs previously reported.

The implementation of GASB Statement No. 65 had the following effect on net position as previously reported:

| | Governmental Activities |
|---|----------------------------|
| Net position as previously reported | \$ 42,408,612 |
| Removal of unamortized bond issuance costs | (65,032) |
| Net position at July 1, 2013 | \$ 42,343,580 |

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances\Net Position

Fund balances\net position at June 30, 2014 included the following individual fund deficits:

| <u>Nonmajor governmental funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| Alternative schools | \$ 211 |
| Resident educator | 52 |
| IDEA, Part B | 161,355 |
| Title I | 35,081 |
| Improving teacher quality | 653 |
| <u>Nonmajor enterprise funds</u> | |
| Food service | 141,262 |

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. The individual fund deficits of the nonmajor governmental funds above are reported as unassigned fund balance on the governmental funds balance sheet.

NOTE 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. 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;

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 and STAR Plus);
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.

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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Custodial credit risk for an investment is the risk that in the event of 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 District's investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits, including \$18,506,514 in nonnegotiable certificates of deposit, was \$29,364,042. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$11,583,377 of the District’s bank balance of \$30,363,799 was exposed to custodial risk as discussed below, while \$18,780,422 was covered by the Federal Deposit Insurance Corporation.

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.

B. Investments

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

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturity 6 months or less</u> |
|------------------------|---------------------|---|
| Repurchase agreement | \$ 6,611,295 | \$ 6,611,295 |
| STAR Ohio | <u>36</u> | <u>36</u> |
| Total | <u>\$ 6,611,331</u> | <u>\$ 6,611,331</u> |

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District’s policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the District.

Credit Risk: The District’s investments in the federal agency securities that underlie the District’s repurchase agreement were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2014, is 51 days and carries a rating of AAAM by Standard and Poor’s.

**WOOSTER CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 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 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 the District may invest in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|---------------------|-------------------|
| Repurchase agreement | \$ 6,611,295 | 99.999 |
| STAR Ohio | <u>36</u> | <u>0.001</u> |
| Total | <u>\$ 6,611,331</u> | <u>100.00</u> |

C. 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 above on the statement of net position as of June 30, 2014:

| <u>Cash and investments per note</u> | |
|--------------------------------------|----------------------|
| Carrying amount of deposits | \$ 29,364,042 |
| Investments | <u>6,611,331</u> |
| Total | <u>\$ 35,975,373</u> |

| <u>Cash and investments per statement of net position</u> | |
|---|----------------------|
| Governmental activities | \$ 35,523,231 |
| Business-type activities | 237,569 |
| Private-purpose trust fund | 1,290 |
| Agency fund | <u>213,283</u> |
| Total | <u>\$ 35,975,373</u> |

NOTE 5 - 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.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,754,490 in the general fund, \$183,027 in the debt service fund and \$31,955 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$1,823,443 in the general fund, \$193,114 in the debt service fund and \$42,768 in the permanent improvement fund (a nonmajor governmental fund). 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.

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

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources. The assessed values upon which the fiscal year 2014 taxes were collected are:

| | 2013 Second Half Collections | | 2014 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 595,754,560 | 96.71 | \$ 600,288,670 | 96.48 |
| Public utility personal | <u>20,237,510</u> | <u>3.29</u> | <u>21,886,760</u> | <u>3.52</u> |
| Total | <u>\$ 615,992,070</u> | <u>100.00</u> | <u>\$ 622,175,430</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 79.50 | | \$ 79.50 | |

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - RECEIVABLES

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

A summary of the principal items of intergovernmental receivables reported on the statement of net position follows:

| | Tuition Costs | State and Federal Grants | SERS Overpayment | Total |
|-----------------------------|------------------|-----------------------------|---------------------|--------------|
| General fund | \$ 152,010 | \$ - | \$ 170,175 | \$ 322,185 |
| Nonmajor governmental funds | - | 877,975 | - | 877,975 |
| Total governmental funds | 152,010 | 877,975 | 170,175 | 1,200,160 |
| Nonmajor enterprise funds | 1,087,721 | 29,963 | - | 1,117,684 |
| Total all funds | \$ 1,239,731 | \$ 907,938 | \$ 170,175 | \$ 2,317,844 |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

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**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - CAPITAL ASSETS

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

| | <u>Balance</u> <u>06/30/13</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/14</u> |
|---|-----------------------------------|--------------------|---------------------|-----------------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 2,638,115 | \$ - | \$ (130,760) | \$ 2,507,355 |
| Construction in progress | <u>-</u> | <u>1,070,367</u> | <u>-</u> | <u>1,070,367</u> |
| Total capital assets, not being depreciated | <u>2,638,115</u> | <u>1,070,367</u> | <u>(130,760)</u> | <u>3,577,722</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 3,157,740 | 21,737 | (48,624) | 3,130,853 |
| Buildings and improvements | 50,610,393 | - | (585,979) | 50,024,414 |
| Furniture and equipment | 1,435,386 | 451,617 | (14,900) | 1,872,103 |
| Vehicles | 2,384,290 | 90,436 | (14,893) | 2,459,833 |
| Textbooks | 158,895 | - | - | 158,895 |
| Ice arena * | <u>4,517,809</u> | <u>-</u> | <u>-</u> | <u>4,517,809</u> |
| Total capital assets, being depreciated | <u>62,264,513</u> | <u>563,790</u> | <u>(664,396)</u> | <u>62,163,907</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Land improvements | (3,006,832) | (84,072) | 47,161 | (3,043,743) |
| Buildings and improvements | (24,866,790) | (828,266) | 479,159 | (25,215,897) |
| Furniture and equipment | (1,098,768) | (85,074) | 12,106 | (1,171,736) |
| Vehicles | (1,538,340) | (154,201) | 14,893 | (1,677,648) |
| Textbooks | (158,895) | - | - | (158,895) |
| Ice arena * | <u>(1,084,272)</u> | <u>(90,356)</u> | <u>-</u> | <u>(1,174,628)</u> |
| Total accumulated depreciation | <u>(31,753,897)</u> | <u>(1,241,969)</u> | <u>553,319</u> | <u>(32,442,547)</u> |
| Governmental activities capital assets, net | <u>\$ 33,148,731</u> | <u>\$ 392,188</u> | <u>\$ (241,837)</u> | <u>\$ 33,299,082</u> |

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - CAPITAL ASSETS - (Continued)

| | <u>Balance</u> <u>06/30/13</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/14</u> |
|--|-----------------------------------|--------------------|-------------------|-----------------------------------|
| Business-type activities: | | | | |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings | \$ 2,535,383 | \$ - | \$ - | \$ 2,535,383 |
| Furniture and equipment | <u>374,573</u> | <u>-</u> | <u>-</u> | <u>374,573</u> |
| Total capital assets, being depreciated | <u>2,909,956</u> | <u>-</u> | <u>-</u> | <u>2,909,956</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Buildings | (946,546) | (50,706) | - | (997,252) |
| Furniture and equipment | <u>(355,709)</u> | <u>(2,357)</u> | <u>-</u> | <u>(358,066)</u> |
| Total accumulated depreciation | <u>(1,302,255)</u> | <u>(53,063)</u> | <u>-</u> | <u>(1,355,318)</u> |
| Business-type activities capital assets, net | <u>\$ 1,607,701</u> | <u>\$ (53,063)</u> | <u>\$ -</u> | <u>\$ 1,554,638</u> |

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

Instruction:

Regular \$ 766,791

Support Services:

Administration 1,296

Operations and maintenance of plant 184,264

Pupil transportation 151,028

Central 2,061

Extracurricular activities 46,173

Depreciation expense not included

in other functions * 90,356

Total governmental activities \$1,241,969

Business-type activities:

Food service \$ 1,173

Community recreation 50,706

Costs for outside entities 1,184

Total business-type activities \$ 53,063

*The ice arena was donated to the District and is operated by the Donald and Alice Noble foundation, Inc. The District does not collect any fees or pay any expenses to operate the facility.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - LONG-TERM OBLIGATIONS

As described in Note 3.A, the balance of the long-term obligations in the schedule below at June 30, 2013 has been restated by \$44,342 to remove unamortized deferred charges on debt refunding's which are now reported as a deferred outflow of resources on the statement of net position. During the fiscal year 2014, the following activity occurred in the District's long-term obligations:

| <u>Governmental activities:</u> | Restated Balance <u>06/30/13</u> | <u>Increases</u> | <u>Decreases</u> | Balance <u>06/30/14</u> | Amount Due Within <u>One Year</u> |
|--|--|-------------------|-----------------------|----------------------------|---|
| <u>Note payable:</u> | | | | | |
| Energy conservation note | | | | | |
| Interest rate 3.32% through 2018 | \$ 1,122,000 | \$ - | \$ (172,000) | \$ 950,000 | \$ 178,000 |
| <u>General obligation bonds payable:</u> | | | | | |
| 1997 bond refunding | | | | | |
| 3.8% - 4.6% through 2014 | 430,000 | | | 430,000 | 430,000 |
| Capital appreciation bonds | 631,705 | - | (631,705) | - | |
| Accretion on CAB's | 1,628,418 | 94,877 | (1,723,295) | - | |
| 2004 bond refunding | | | | | |
| 2.5% - 4.1% through 2018 | 1,505,002 | - | (230,000) | 1,275,002 | 240,000 |
| 2007 bond refunding | | | | | |
| 4.00% - 4.15% through 2016 | 7,800,000 | - | - | 7,800,000 | 2,195,000 |
| Capital appreciation bonds | 1,955,000 | - | - | 1,955,000 | - |
| Accretion on CAB's | 513,716 | 103,530 | - | 617,246 | - |
| Premium on debt issuance | 109,375 | - | (21,875) | 87,500 | - |
| Total | <u>15,695,216</u> | <u>198,407</u> | <u>(2,778,875)</u> | <u>13,114,748</u> | <u>3,043,000</u> |
| Compensated absences | <u>4,098,092</u> | <u>386,905</u> | <u>(602,246)</u> | <u>3,882,751</u> | <u>777,612</u> |
| Total long-term obligations | <u>\$ 19,793,308</u> | <u>\$ 585,312</u> | <u>\$ (3,381,121)</u> | <u>\$ 16,997,499</u> | <u>\$ 3,820,612</u> |
| <u>Business-type activities:</u> | | | | | |
| Compensated absences | <u>\$ 308,923</u> | <u>\$ 9,453</u> | <u>\$ (46,115)</u> | <u>\$ 272,261</u> | <u>\$ 45,994</u> |

In 1997, the District issued \$24,994,832 in refunded general obligation bonds. These include current interest bonds which mature December 2014, and capital appreciation bonds which matured December 2013.

In 2004, the District issued \$3,010,000 in refunded general obligation bonds. These include current interest bonds which mature in December 2018.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

On September 27, 2007, the District issued \$9,755,000 in refunded general obligation bonds. These include current interest bonds which mature in December 2016, and capital appreciation bonds with mature in December 2017. The proceeds of the bonds were used to refund \$9,852,550 of the District's outstanding capital improvement bonds. The bonds were issued for an 11 year period with final maturity at December 1, 2017. At the date of the refunding, \$9,995,619 (including premium and after underwriting fees) was deposited in the debt service fund for the payment on the refunded bonds to the bond escrow agent. As of June 30, 2014, \$9,755,000 of these bonds are considered defeased.

These refunding bonds were issued with a premium of \$240,619, which is reported as an increase to bonds payable. The amount is being amortized to interest expenses over the life of the bonds using the straight-line method. There was \$21,875 in amortization recorded for June 30, 2014. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$97,550.

In 2009, the District issued \$1,757,800 in energy conservation notes payable for renovation of school facilities to conserve energy. The notes mature in December 2018.

General obligation bonds and notes payable will be paid from the debt service fund. Compensated absences will be paid from the general fund and the food service and costs for outside entities enterprise funds.

Future Debt Service Requirements

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

| Fiscal Year Ending June 30. | General Obligation Bonds | | | Capital Appreciation Bonds | | |
|--------------------------------|--------------------------|-------------------|----------------------|----------------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Accretion | Total |
| 2015 | \$ 2,865,000 | \$ 324,318 | \$ 3,189,318 | \$ - | \$ - | \$ - |
| 2016 | 3,000,000 | 205,170 | 3,205,170 | - | - | - |
| 2017 | 3,110,000 | 83,474 | 3,193,474 | - | - | - |
| 2018 | 260,000 | 16,201 | 276,201 | 1,955,000 | 1,015,000 | 2,970,000 |
| 2019 | <u>270,002</u> | <u>5,468</u> | <u>275,470</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 9,505,002</u> | <u>\$ 634,631</u> | <u>\$ 10,139,633</u> | <u>\$ 1,955,000</u> | <u>\$ 1,015,000</u> | <u>\$ 2,970,000</u> |

Principal and interest requirements to retire notes payable at June 30, 2014, are as follows:

| Fiscal Year Ending June 30. | Energy Conservation Notes | | |
|--------------------------------|---------------------------|------------------|---------------------|
| | Principal | Interest | Total |
| 2015 | \$ 178,000 | \$ 27,880 | \$ 205,880 |
| 2016 | 184,000 | 22,019 | 206,019 |
| 2017 | 190,000 | 15,964 | 205,964 |
| 2018 | 196,000 | 9,714 | 205,714 |
| 2019 | <u>202,000</u> | <u>3,270</u> | <u>205,270</u> |
| Total | <u>\$ 950,000</u> | <u>\$ 78,847</u> | <u>\$ 1,028,847</u> |

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

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 unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted 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. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$46,370,996 (including available funds of \$1,835,189) and an unvoted energy conservation debt margin of \$4,649,581.

NOTE 9 - INTERFUND TRANSACTIONS

- A. Transfers for the year ended June 30, 2014 consisted of the following:

| | Transfer In | Transfer Out |
|-------------------|----------------|-----------------|
| General fund | \$ - | \$ 30,000 |
| Debt service fund | 30,000 | - |
| Total | \$ 30,000 | \$ 30,000 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

- B. Interfund loans receivable/payable at June 30, 2014 consisted of the following:

| | Interfund Receivable | Interfund Payable |
|-----------------------------|-------------------------|----------------------|
| General fund | \$ 565,000 | \$ - |
| Nonmajor governmental funds | - | 463,000 |
| Nonmajor enterprise funds | - | 102,000 |
| Total | \$ 565,000 | \$ 565,000 |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide statement of net position. Interfund balances between governmental funds and enterprise funds are reported as a component of internal balance on the government-wide statement of net position.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - INTERFUND TRANSACTIONS - (Continued)

C. Amounts due to/due from other funds at June 30, 2014 consisted of the following:

| | Due From Other Funds | Due To Other Funds |
|---------------------------|-------------------------|-----------------------|
| General fund | \$ - | \$ 143,439 |
| Nonmajor enterprise funds | 143,439 | - |
| Total | \$ 143,439 | \$ 143,439 |

Balances due to/due from other funds resulted from the routine lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in accounting system and payments between funds are made. Amounts due to/from other funds between governmental funds and enterprise funds are reported as a component of the internal balance reported on the government fund statement of net position.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

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 insures its buildings and their contents through insurance having a \$1,000 deductible and providing replacement cost for such items. An inventory of all loose equipment is conducted annually.

Appropriate liability insurance is maintained in the amount of \$4,000,000 for each occurrence and \$6,000,000 aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Bond is maintained on all employees handling or responsible for money in the amount of \$25,000. A bond of \$50,000 is maintained on the Treasurer. Bonds are also provided for the School Board President and Superintendent in the amount of \$10,000 each.

By state statute, Bond is provided by all contractors in amounts sufficient to cover the entire bid amount awarded to the contractor.

B. Workers' Compensation

The District participates in the Ohio School Comp Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. This represents a merger of individual pooling programs for the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO). Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 10 - RISK MANAGEMENT - (Continued)

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 school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Health, Prescription Drug and Dental Insurance

During fiscal year 2014, the District was a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The District accounts for the premiums paid as expenditures in the general or applicable fund. For the period July 1, 2013 through May 30, 2014, the premiums were deposited into the self-insurance internal service funds before being remitted to the Council. Effective June 1, 2014, the premiums were paid directly from the general or applicable funds directly to the Council.

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn up to twenty days of vacation per year depending upon length of service. Vacation days are credited to classified employees as earned. Accumulated, unused vacation time is paid to classified employees upon termination or retirement. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month.

For employees with 10 to 30 years of service, a percentage of unused sick time is paid upon retirement at 50% of the maximum number of days accumulated not to exceed 275 days for certificated staff and classified staff.

For employees with more than 30 years of service, a percentage of unused sick time is paid upon retirement at the lesser of 65 days or 25% of the maximum number of days accumulated not to exceed 275 days for certificated staff and classified staff.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$684,603, \$895,707 and \$827,179, respectively; 80.58 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 may 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 website at www.strsoh.org, under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,353,041, \$2,449,576 and \$2,578,876, respectively; 83.86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$128,425 made by the District and \$100,995 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing, multiple employer postemployment 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 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 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, under "Employers/Audit Resources".

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$99,605, \$102,687 and \$123,870, respectively; 80.58 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$39,717, \$47,345 and \$48,849, respectively; 80.58 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, under "Publications" or by calling (888) 227-7877.

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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$181,003, \$185,496 and \$192,691, respectively; 83.86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Tri-County Education Services Center, which serves as fiscal agent, located at 741 Winkler Drive, Wooster, Ohio, 44691. During the fiscal year ended June 30, 2014 the District paid \$232,942 for basic service charges and other services provided by TCCSA for the District.

NOTE 15 - CONTINGENCIES AND SIGNIFICANT COMMITMENTS

A. Grants

The District received financial assistance from federal and 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 of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the basic financial statements.

C. Contractual Commitments

At June 30, 2014, the District had the following contractual commitments for construction projects:

| Project | Contractor | Contractual Commitment | Through 6/30/2014 | Balance 6/30/2014 |
|-----------------------------|-------------------|---------------------------|----------------------|----------------------|
| High school AC replacement | The K Company | \$ 664,000 | \$ - | \$ 664,000 |
| Athletic field upgrade | Vasco Sports | 1,228,000 | (82,206) | 1,145,794 |
| Edgewood renovation | AC SplitBolt | 75,024 | - | 75,024 |
| Edgewood renovation | Schmid Mechanical | 110,995 | | 110,995 |
| Edgewood renovation | CCI Commercial | 271,532 | (84,931) | 186,601 |
| High school masonry project | Coon Restoration | 115,809 | - | 115,809 |
| Total | | <u>\$ 2,465,360</u> | <u>\$ (167,137)</u> | <u>\$ 2,298,223</u> |

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - CONTINGENCIES AND SIGNIFICANT COMMITMENTS - (Continued)

D. Encumbrance 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:

| <u>Fund</u> | <u>Amount</u> |
|--------------------------|---------------------|
| General fund | \$ 935,688 |
| Other governmental funds | <u>2,059,215</u> |
| Total | <u>\$ 2,994,903</u> |

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP 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 GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) 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 not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP); and,
- (e) A certain fund is included in the general fund (GAAP basis), but has a separate legally adopted budget (budget basis).

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 3,189,550 |
| Net adjustment for revenue accruals | (113,133) |
| Net adjustment for expenditure accruals | (636,580) |
| Net adjustment for other sources/uses | 173,542 |
| Funds budgeted elsewhere ** | 1,576 |
| Adjustment for encumbrances | 1,280,643 |
| Budget basis | <u>\$ 3,895,598</u> |

** The public school support fund is legally budgeted as a separate special revenue fund; however, it is considered part of the general fund on a GAAP basis.

NOTE 17 - 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.

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2013 | \$ - |
| Current year set-aside requirement | 620,883 |
| Current year qualifying expenditures | (1,294,208) |
| Current year offsets | (575,341) |
| Total | <u>\$ (1,248,666)</u> |
| Balance carried forward to fiscal year 2015 | <u>\$ -</u> |
| Set-aside balance June 30, 2014 | <u>\$ -</u> |

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

December 31, 2014

To the Board of Education
Wooster City School District
Wayne County, Ohio
144 North Market Street
Wooster, Ohio 44691

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wooster City School District, Wayne County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2014, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 65, resulting in the restatement described in Note 3.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hea & Associates, Inc.

Medina, Ohio

December 31, 2014

To the Board of Education
Wooster City School District
Wayne County, Ohio
144 North Market Street
Wooster, Ohio 44691

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited Wooster City School District's, Wayne County, Ohio (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

Wooster City School District
Wayne County, Ohio
Schedule of Expenditures of Federal Awards - Cash Basis
For the Fiscal Year Ended June 30, 2014

| Federal Grantor/ Pass Through Grantor Program Title | Program Year | Federal CFDA Number | Receipts | Expenditures |
|---|-----------------|---------------------------|---------------------|---------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program (A) | 2014 | 10.553 | \$ 192,366 | \$ 192,366 |
| National School Lunch Program (A) | 2014 | 10.555 | 753,991 | 753,991 |
| Food Commodity Distribution (B) | 2014 | 10.555 | 112,689 | 112,689 |
| Summer Food Service Program for Children | 2014 | 10.559 | 62,807 | 62,807 |
| Total Child Nutrition Cluster | | | 1,121,853 | 1,121,853 |
| Child and Adult Care Food Program | 2014 | 10.558 | 24,251 | 24,251 |
| School Nutrition Mini Grant | 2014 | 10.574 | 500 | - |
| Total U.S. Department of Agriculture | | | 1,146,604 | 1,146,104 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | |
| Special Education - Grants to States (IDEA Part B) | 2013 | 84.027 | 90,948 | 96,048 |
| | 2014 | 84.027 | 660,207 | 752,895 |
| Total Special Education - Grants to States (IDEA Part B) | | | 751,155 | 848,943 |
| Title I Grants to Local Educational Agencies | 2013 | 84.010 | 71,337 | 81,067 |
| | 2014 | 84.010 | 736,118 | 815,144 |
| Total Title I Grants to Local Educational Agencies | | | 807,455 | 896,211 |
| Improving Teacher Quality State Grants (Title II-A) | 2013 | 84.367 | 25,021 | 12,186 |
| | 2014 | 84.367 | 165,985 | 187,756 |
| Total Improving Teacher Quality State Grants (Title II-A) | | | 191,006 | 199,942 |
| ARRA - Resident Educator Program | 2014 | 84.395 | 5,600 | 5,600 |
| Total U.S. Department of Education | | | 1,755,216 | 1,950,696 |
| Totals | | | \$ 2,901,820 | \$ 3,096,800 |

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

Wooster City School District
Wayne County, Ohio

Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2014

Note A – Commingled Funds

Federal money is commingled with state subsidy reimbursements for the Child Nutrition Cluster. It is assumed federal moneys are expended first.

Note B – Food Donation Program

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

Note C – Ohio Bureau of Workers' Compensation Rebate

Ohio's workers' compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers' Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In May 2013, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio's workers' compensation system. Each employer's rebate reflected 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state. Using policy year 2011 as the base year for calculation, the District allocated its BWC rebate back to all funds, including federal funds, providing the source of initial premium payments to BWC. The subsequent expenditure of the rebate attributable to federal programs is reflected on the District's *Schedule of Expenditures of Federal Awards*.

Wooster City School District
Wayne County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
June 30, 2014

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|----------------|---|---|
| (d) (1) (i) | Type of Financial Statement Opinion | Unmodified |
| (d) (1) (ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d) (1) (ii) | Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)? | No |
| (d) (1) (iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d) (1) (iv) | Was there any material internal control weakness conditions reported for major federal programs? | No |
| (d) (1) (iv) | Were there any other significant deficiencies reported for major federal programs? | No |
| (d) (1) (v) | Type of Major Programs' Compliance Opinion | Unmodified – Title I Grants to Local Educational Agencies |
| (d) (1) (vi) | Are there any reportable findings under Section .510? | No |
| (d) (1) (vii) | Major Programs (list): Title I Grants to Local Educational Agencies | CFDA # 84.010 |
| (d) (1) (viii) | Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: All others |
| (d) (1) (ix) | Low Risk Auditee? | Yes |

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

None

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None