



Dave Yost • Auditor of State

**MCDONALD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Government Wide Financial Statements: | |
| Statement of Net Assets | 11 |
| Statement of Activities..... | 12 |
| Fund Financial Statements: | |
| Balance Sheet –Governmental Funds | 13 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities..... | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds..... | 15 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual-General Fund | 17 |
| Statement of Fiduciary Net Assets-Fiduciary Fund | 18 |
| Notes to the Basic Financial Statements | 19 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 43 |
| Schedule of Findings..... | 45 |

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

McDonald Local School District
Trumbull County
600 Iowa Avenue
McDonald, Ohio 44437

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McDonald Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McDonald Local School District, Trumbull County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District restated prior year fund balances and net assets due to a change in accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

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

Dave Yost
Auditor of State

January 11, 2013

McDonald Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

As management of the McDonald Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net assets increased due to an increase in property tax revenues as a result of additional tax collections beginning in January 2012 on a 7.25 mill emergency levy. The increase in net assets can also be attributed to the payoff of the State solvency assistance advance and to a reduction in long-term debt obligations. These increases were partially offset by a decrease in net capital assets resulting from an additional year of depreciation.
- Capital asset additions included buildings and improvements and the purchase of one new and one used school bus.
- Outstanding long-term obligations decreased during fiscal year 2012 due to annual general obligation debt and capital lease payments.
- Program expenses increased in fiscal year 2012 due to higher instruction costs resulting from an increase in open enrollment and excess cost tuition payments to other districts as well as to an increase an annual depreciation charged to instruction expenses.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

McDonald Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of food services and non-instructional services and interest and fiscal charges.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund. All of the funds of the School District can be divided into two categories: governmental and fiduciary.

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

The basic fund financial statements can be found on pages 13-17 of this report.

Fiduciary Fund A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

The basic fiduciary fund financial statements can be found on page 18 of this report.

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. The notes to the financial statements can be found on pages 19-42 of this report.

McDonald Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Assets for 2012 compared to 2011.

Table 1
 Net Assets
 Governmental Activities

| | <u>2012</u> | <u>2011</u> | <u>Change</u> |
|---|---------------------|---------------------|------------------|
| Assets | | | |
| Current and Other Assets | \$3,423,048 | \$3,182,667 | \$240,381 |
| Capital Assets, Net | <u>13,399,855</u> | <u>13,951,407</u> | <u>(551,552)</u> |
| <i>Total Assets</i> | <u>16,822,903</u> | <u>17,134,074</u> | <u>(311,171)</u> |
| Liabilities | | | |
| Current Liabilities | 2,646,372 | 3,508,196 | 861,824 |
| Long-Term Liabilities | | | |
| Due Within One Year | 180,614 | 220,124 | 39,510 |
| Due In More Than One Year | <u>1,503,573</u> | <u>1,585,986</u> | <u>82,413</u> |
| <i>Total Liabilities</i> | <u>4,330,559</u> | <u>5,314,306</u> | <u>983,747</u> |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 12,194,036 | 12,695,657 | (501,621) |
| Restricted for: | | | |
| Capital Projects | 123,849 | 65,023 | 58,826 |
| Debt Service | 126,796 | 75,333 | 51,463 |
| Other Purposes | 239,860 | 245,521 | (5,661) |
| Unrestricted (Deficit) | <u>(192,197)</u> | <u>(1,261,766)</u> | <u>1,069,569</u> |
| <i>Total Net Assets</i> | <u>\$12,492,344</u> | <u>\$11,819,768</u> | <u>\$672,576</u> |

Current assets increased due mainly to an increase in cash and cash equivalents and property taxes receivable which can be attributed to additional revenues from a five-year 7.25 mill emergency levy passed in May 2011 which the School District began collecting on in January 2012. The decrease in capital assets was due to an additional year of depreciation offset by current year additions.

Total liabilities decreased during fiscal year 2012 due mainly to the payoff of the State solvency assistance advance and to annual payments on the School District's general obligation bonds and capital lease.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for 2012 and 2011.

McDonald Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2
Change in Net Assets
Governmental Activities

| | 2012 | 2011 | Change |
|---|---------------------|---------------------|------------------|
| Program Revenues | | | |
| Charges for Services and Sales | \$1,274,792 | \$1,227,917 | \$46,875 |
| Operating Grants and Contributions | 367,128 | 949,538 | (582,410) |
| Capital Grants | 4,393 | 0 | 4,393 |
| <i>Total Program Revenues</i> | <u>1,646,313</u> | <u>2,177,455</u> | <u>(531,142)</u> |
| General Revenues | | | |
| Property Taxes | 1,769,942 | 1,577,808 | 192,134 |
| Grants and Entitlements | 3,847,184 | 3,811,217 | 35,967 |
| Investment Earnings | 3,170 | 2,796 | 374 |
| Miscellaneous | 7,211 | 1,695 | 5,516 |
| <i>Total General Revenues</i> | <u>5,627,507</u> | <u>5,393,516</u> | <u>233,991</u> |
| <i>Total Revenues</i> | <u>7,273,820</u> | <u>7,570,971</u> | <u>(297,151)</u> |
| Program Expenses | | | |
| Instruction: | | | |
| Regular | 3,926,007 | 3,788,310 | (137,697) |
| Special | 598,973 | 489,658 | (109,315) |
| Vocational | 29,091 | 19,426 | (9,665) |
| Support Services | | | |
| Pupils | 332,336 | 291,074 | (41,262) |
| Instructional Staff | 10,115 | 12,055 | 1,940 |
| Board of Education | 25,782 | 14,205 | (11,577) |
| Administration | 453,196 | 459,457 | 6,261 |
| Fiscal | 186,698 | 178,008 | (8,690) |
| Operation and Maintenance of Plant | 480,659 | 551,840 | 71,181 |
| Pupil Transportation | 128,083 | 74,360 | (53,723) |
| Central | 26,699 | 31,685 | 4,986 |
| Operation of Non-Instructional Services | 3,859 | 3,098 | (761) |
| Operation of Food Service | 103,276 | 108,355 | 5,079 |
| Extracurricular Activities | 214,368 | 246,812 | 32,444 |
| Interest and Fiscal Charges | 82,102 | 105,776 | 23,674 |
| <i>Total Program Expenses</i> | <u>6,601,244</u> | <u>6,374,119</u> | <u>(227,125)</u> |
| <i>Change in Net Assets</i> | 672,576 | 1,196,852 | (524,276) |
| Net Assets Beginning of Year | <u>11,819,768</u> | <u>10,622,916</u> | <u>1,196,852</u> |
| Net Assets End of Year | <u>\$12,492,344</u> | <u>\$11,819,768</u> | <u>\$672,576</u> |

McDonald Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

Program expenses increased mainly due to increases in instruction costs. Higher instruction costs can be attributed to an increase in open enrollment and excess cost tuition payments to other districts as well as to an increase in an annual depreciation charged to instruction expenditures.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2012 compared to 2011.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

| | 2012 | | 2011 | |
|---|--------------------------|------------------------|--------------------------|------------------------|
| | Total Cost of Service | Net Cost of Service | Total Cost of Service | Net Cost of Service |
| Instruction: | | | | |
| Regular | \$3,926,007 | \$2,725,133 | \$3,788,310 | \$2,216,224 |
| Special | 598,973 | 598,973 | 489,658 | 489,658 |
| Vocational | 29,091 | 29,091 | 19,426 | 19,426 |
| Support Services: | | | | |
| Pupils | 332,336 | 172,173 | 291,074 | 144,831 |
| Instructional Staff | 10,115 | 10,115 | 12,055 | 12,055 |
| Board of Education | 25,782 | 25,782 | 14,205 | 14,205 |
| Administration | 453,196 | 446,317 | 459,457 | 436,309 |
| Fiscal | 186,698 | 186,698 | 178,008 | 178,008 |
| Operation and Maintenance of Plant | 480,659 | 409,546 | 551,840 | 359,170 |
| Pupil Transportation | 128,083 | 128,083 | 74,360 | 74,360 |
| Central | 26,699 | 26,699 | 31,685 | 31,685 |
| Operation of Non-Instructional Services | 3,859 | 3,859 | 3,098 | 3,098 |
| Operation of Food Service | 103,276 | (20,691) | 108,355 | (14,154) |
| Extracurricular Activities | 214,368 | 131,051 | 246,812 | 126,013 |
| Interest and Fiscal Charges | 82,102 | 82,102 | 105,776 | 105,776 |
| Total | <u>\$6,601,244</u> | <u>\$4,954,931</u> | <u>\$6,374,119</u> | <u>\$4,196,664</u> |

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of instructional activities are supported through taxes and other general revenues.

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due mainly to an increase in property tax revenues from collections on a five-year 7.25 mill emergency levy that began in January 2012.

McDonald Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund. During the course of fiscal year 2012, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was lower than the original budget estimate. The change was attributed mainly to decreases in intergovernmental revenue from the conclusion of federal award programs.

The final budget appropriations were lower than the original budget appropriations of the general fund. The change was attributed to decreases in estimates for instructional activities and support services resulting from careful spending controls.

Capital Assets and Long-term Liabilities

Capital Assets

Table 4 shows fiscal 2012 values compared to fiscal 2011.

Table 4
Capital Assets at June 30
Governmental Activities

| | <u>2012</u> | <u>2011</u> |
|----------------------------|---------------------|---------------------|
| Land | \$311,600 | \$311,600 |
| Land Improvements | 255,959 | 280,144 |
| Buildings and Improvements | 12,617,520 | 13,196,720 |
| Furniture and Fixtures | 111,232 | 132,093 |
| Vehicles | <u>103,544</u> | <u>30,850</u> |
| Total Capital Assets | <u>\$13,399,855</u> | <u>\$13,951,407</u> |

The decrease in capital assets was due to the current year depreciation outpacing additional purchases. In fiscal year 2012, the School District's capital asset additions included buildings and improvements, the purchase of one new bus and the purchase of one used bus. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

McDonald Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Debt

Table 5 below summarizes the School District's long-term outstanding obligations.

Table 5
 Outstanding Long-term Obligations at June 30
 Governmental Activities

| | 2012 | 2011 |
|-------------------------------|-------------|-------------|
| 2001 School Improvement Bonds | \$0 | \$71,632 |
| 2006 School Improvement Bonds | 1,274,524 | 1,285,454 |
| Capital Leases | 62,356 | 80,774 |
| Total | \$1,336,880 | \$1,437,860 |

The 2001 school improvement bonds were issued to finance the renovations of the high school and the construction of a new elementary school. This issue was retired in fiscal year 2012. The 2006 school improvement bonds were issued to refund a portion of the 2001 school improvement bonds to take advantage of lower interest rates. The bonds are paid out of the general obligation bond retirement fund. The 2006 school improvement bonds mature in fiscal year 2023. See Note 13 to the basic financial statements for additional information.

School District Outlook

On October 15, 2009, the School District was declared by the Auditor of State to be in a state of "fiscal emergency" based on an anticipated deficit at fiscal year end 2010. To generate additional funds the School District passed two Emergency Levies, borrowed from the State Solvency Fund, and cut expenses where available. With the assistance of the Financial Planning and Supervision Commission, the School District was able to put in place a recovery plan on February 22, 2010.

On February 28, 2012, due to its efforts, the School District was released from fiscal emergency. However, the financial future of the School District will continue to face challenges. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with unconstitutionality of the State's educational funding system.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

McDonald Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact William Johnson, Treasurer, at McDonald Local School District, 600 Iowa Avenue, McDonald, Ohio 44437-1699.

McDonald Local School District

Statement of Net Assets

June 30, 2012

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$1,179,851 |
| Intergovernmental Receivable | 33,516 |
| Inventory Held for Resale | 1,756 |
| Materials and Supplies Inventory | 318 |
| Property Taxes Receivable | 2,174,590 |
| Deferred Charges | 33,017 |
| Nondepreciable Capital Assets | 311,600 |
| Depreciable Capital Assets, Net | <u>13,088,255</u> |
| <i>Total Assets</i> | <u>16,822,903</u> |
| Liabilities | |
| Accounts Payable | 91,654 |
| Contracts Payable | 392 |
| Accrued Wages and Benefits | 486,856 |
| Intergovernmental Payable | 133,653 |
| Deferred Revenue | 1,930,343 |
| Accrued Interest Payable | 3,474 |
| Long-Term Liabilities: | |
| Due Within One Year | 180,614 |
| Due In More Than One Year | <u>1,503,573</u> |
| <i>Total Liabilities</i> | <u>4,330,559</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 12,194,036 |
| Restricted for: | |
| Capital Projects | 123,849 |
| Debt Service | 126,796 |
| Other Purposes | 239,860 |
| Unrestricted (Deficit) | <u>(192,197)</u> |
| <i>Total Net Assets</i> | <u><u>\$12,492,344</u></u> |

See accompanying notes to the basic financial statements

McDonald Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

| | Program Revenues | | | Governmental Activities | Net (Expense) Revenue and Changes in Net Assets |
|--|--------------------|--------------------------------|------------------------------------|-------------------------|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | | |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$3,926,007 | \$1,094,417 | \$106,457 | \$0 | (\$2,725,133) |
| Special | 598,973 | 0 | 0 | 0 | (598,973) |
| Vocational | 29,091 | 0 | 0 | 0 | (29,091) |
| Support Services: | | | | | |
| Pupils | 332,336 | 0 | 160,163 | 0 | (172,173) |
| Instructional Staff | 10,115 | 0 | 0 | 0 | (10,115) |
| Board of Education | 25,782 | 0 | 0 | 0 | (25,782) |
| Administration | 453,196 | 3,279 | 3,600 | 0 | (446,317) |
| Fiscal | 186,698 | 0 | 0 | 0 | (186,698) |
| Operation and Maintenance of Plant | 480,659 | 37,350 | 29,370 | 4,393 | (409,546) |
| Pupil Transportation | 128,083 | 0 | 0 | 0 | (128,083) |
| Central | 26,699 | 0 | 0 | 0 | (26,699) |
| Operation of Non-Instructional Services | 3,859 | 0 | 0 | 0 | (3,859) |
| Operation of Food Service | 103,276 | 56,929 | 67,038 | 0 | 20,691 |
| Extracurricular Activities | 214,368 | 82,817 | 500 | 0 | (131,051) |
| Interest and Fiscal Charges | 82,102 | 0 | 0 | 0 | (82,102) |
| Totals | \$6,601,244 | \$1,274,792 | \$367,128 | \$4,393 | (4,954,931) |
| General Revenues | | | | | |
| Property Taxes Levied for: | | | | | |
| | | | | | 1,556,836 |
| | | | | | 177,839 |
| | | | | | 18,827 |
| | | | | | 16,440 |
| Grants and Entitlements not Restricted | | | | | |
| | | | | | 3,847,184 |
| | | | | | 3,170 |
| | | | | | 7,211 |
| Total General Revenues | | | | | |
| | | | | | 5,627,507 |
| Change in Net Assets | | | | | |
| | | | | | 672,576 |
| Net Assets Beginning of Year - Restated (See Note 3) | | | | | |
| | | | | | 11,819,768 |
| Net Assets End of Year | | | | | |
| | | | | | \$12,492,344 |

See accompanying notes to the basic financial statements

McDonald Local School District

Balance Sheet

Governmental Funds

June 30, 2012

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------|---|---|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$698,603 | \$459,523 | \$1,158,126 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 21,725 | 0 | 21,725 |
| Intergovernmental Receivable | 33,516 | 0 | 33,516 |
| Interfund Receivable | 1,100 | 0 | 1,100 |
| Inventory Held for Resale | 0 | 1,756 | 1,756 |
| Materials and Supplies Inventory | 0 | 318 | 318 |
| Property Taxes Receivable | 1,925,190 | 249,400 | 2,174,590 |
| <i>Total Assets</i> | <u>\$2,680,134</u> | <u>\$710,997</u> | <u>\$3,391,131</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | \$89,646 | \$2,008 | \$91,654 |
| Contracts Payable | 392 | 0 | 392 |
| Accrued Wages and Benefits | 471,093 | 15,763 | 486,856 |
| Interfund Payable | 0 | 1,100 | 1,100 |
| Intergovernmental Payable | 131,593 | 2,060 | 133,653 |
| Deferred Revenue | 1,956,854 | 249,176 | 2,206,030 |
| <i>Total Liabilities</i> | <u>2,649,578</u> | <u>270,107</u> | <u>2,919,685</u> |
| Fund Balances | | | |
| Nonspendable | 21,725 | 318 | 22,043 |
| Restricted | 0 | 446,045 | 446,045 |
| Committed | 17,728 | 0 | 17,728 |
| Assigned | 3,254 | 0 | 3,254 |
| Unassigned (Deficit) | (12,151) | (5,473) | (17,624) |
| <i>Total Fund Balances</i> | <u>30,556</u> | <u>440,890</u> | <u>471,446</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$2,680,134</u> | <u>\$710,997</u> | <u>\$3,391,131</u> |

See accompanying notes to the basic financial statements

McDonald Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

| | |
|---|------------------|
| Total Governmental Fund Balances | \$471,446 |
|---|------------------|

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

| | |
|---|------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 13,399,855 |
|---|------------|

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

| | |
|-------------------|---------------|
| Property Taxes | 242,171 |
| Intergovernmental | <u>33,516</u> |

| | |
|-------|---------|
| Total | 275,687 |
|-------|---------|

| | |
|--|--------|
| Bond issuance costs will be amortized over the life of the bonds on the statement of net assets. | 33,017 |
|--|--------|

| | |
|--|---------|
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | (3,474) |
|--|---------|

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

| | |
|------------------------------|------------------|
| General Obligation Bonds | (1,274,524) |
| Capital Leases | (62,356) |
| Special Termination Benefits | (70,425) |
| Compensated Absences | <u>(276,882)</u> |

| | |
|-------|--------------------|
| Total | <u>(1,684,187)</u> |
|-------|--------------------|

| | |
|--|----------------------------|
| <i>Net Assets of Governmental Activities</i> | <u><u>\$12,492,344</u></u> |
|--|----------------------------|

See accompanying notes to the basic financial statements

McDonald Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

| | General | Other Governmental Funds | Total Governmental Funds |
|--|------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property Taxes | \$1,521,305 | \$209,115 | \$1,730,420 |
| Intergovernmental | 3,803,327 | 397,628 | 4,200,955 |
| Interest | 2,671 | 499 | 3,170 |
| Tuition and Fees | 1,094,417 | 0 | 1,094,417 |
| Extracurricular Activities | 3,579 | 75,656 | 79,235 |
| Contributions and Donations | 0 | 13,065 | 13,065 |
| Charges for Services | 6,861 | 56,929 | 63,790 |
| Rentals | 37,350 | 0 | 37,350 |
| Miscellaneous | 5,206 | 2,005 | 7,211 |
| <i>Total Revenues</i> | <u>6,474,716</u> | <u>754,897</u> | <u>7,229,613</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 3,220,017 | 46,390 | 3,266,407 |
| Special | 600,289 | 0 | 600,289 |
| Vocational | 29,091 | 0 | 29,091 |
| Support Services: | | | |
| Pupils | 129,309 | 182,242 | 311,551 |
| Instructional Staff | 10,115 | 0 | 10,115 |
| Board of Education | 25,782 | 0 | 25,782 |
| Administration | 435,756 | 5,615 | 441,371 |
| Fiscal | 185,530 | 3,444 | 188,974 |
| Operation and Maintenance of Plant | 540,943 | 8,919 | 549,862 |
| Pupil Transportation | 168,275 | 17,507 | 185,782 |
| Central | 26,699 | 0 | 26,699 |
| Operation of Non-Instructional Services | 3,241 | 618 | 3,859 |
| Operation of Food Service | 0 | 98,503 | 98,503 |
| Extracurricular Activities | 141,234 | 71,836 | 213,070 |
| Capital Outlay | 0 | 37,178 | 37,178 |
| Debt Service: | | | |
| Principal Retirement | 18,418 | 30,000 | 48,418 |
| Interest and Fiscal Charges | 4,346 | 42,240 | 46,586 |
| Capital Appreciation Bonds Interest | 0 | 85,000 | 85,000 |
| <i>Total Expenditures</i> | <u>5,539,045</u> | <u>629,492</u> | <u>6,168,537</u> |
| <i>Excess of Revenues Over Expenditures</i> | <u>935,671</u> | <u>125,405</u> | <u>1,061,076</u> |
| Other Financing Sources (Uses) | | | |
| Transfers In | 0 | 75,000 | 75,000 |
| Transfers Out | (75,000) | 0 | (75,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(75,000)</u> | <u>75,000</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 860,671 | 200,405 | 1,061,076 |
| <i>Fund Balances (Deficit)</i> | | | |
| <i>Beginning of Year - (Restated - See Note 3)</i> | <u>(830,115)</u> | <u>240,485</u> | <u>(589,630)</u> |
| <i>Fund Balances End of Year</i> | <u>\$30,556</u> | <u>\$440,890</u> | <u>\$471,446</u> |

See accompanying notes to the basic financial statements

McDonald Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds \$1,061,076

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. This is the amount by which depreciation exceeded capital outlay in the current period.

| | | |
|----------------|------------------|-----------|
| Capital Outlay | 157,222 | |
| Depreciation | <u>(708,774)</u> | |
| Total | | (551,552) |

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

| | | |
|-------------------|--------------|--------|
| Property Taxes | 39,522 | |
| Intergovernmental | <u>4,685</u> | |
| Total | | 44,207 |

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 133,418

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

| | | |
|---------------------------------|----------------|----------|
| Accrued Interest | 92 | |
| Amortization of Issuance Costs | (3,170) | |
| Amortization of Accretion | (35,460) | |
| Amortization of Premium | 8,615 | |
| Amortization of Accounting Loss | <u>(5,593)</u> | |
| Total | | (35,516) |

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.

| | | |
|------------------------------|---------------|---------------|
| Compensated Absences | (20,457) | |
| Special Termination Benefits | <u>41,400</u> | |
| Total | | <u>20,943</u> |

Change in Net Assets of Governmental Activities \$672,576

See accompanying notes to the basic financial statements

McDonald Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|-------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$1,578,659 | \$1,523,960 | \$1,523,960 | \$0 |
| Intergovernmental | 3,919,649 | 3,803,327 | 3,803,327 | 0 |
| Interest | 2,767 | 2,671 | 2,671 | 0 |
| Tuition and Fees | 1,133,698 | 1,094,417 | 1,094,417 | 0 |
| Extracurricular Activities | 311 | 300 | 300 | 0 |
| Charges for Services | 7,043 | 6,798 | 6,925 | 127 |
| Rentals | 38,691 | 37,350 | 37,350 | 0 |
| Miscellaneous | 5,206 | 5,206 | 5,206 | 0 |
| <i>Total Revenues</i> | 6,686,024 | 6,474,029 | 6,474,156 | 127 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,385,922 | 3,185,127 | 3,185,120 | 7 |
| Special | 642,368 | 604,274 | 604,274 | 0 |
| Vocational | 29,876 | 28,104 | 28,104 | 0 |
| Support Services: | | | | |
| Pupils | 137,285 | 129,144 | 129,144 | 0 |
| Instructional Staff | 11,156 | 10,494 | 10,494 | 0 |
| Board of Education | 29,326 | 27,587 | 27,587 | 0 |
| Administration | 484,392 | 455,666 | 455,666 | 0 |
| Fiscal | 228,879 | 215,306 | 215,306 | 0 |
| Operation and Maintenance of Plant | 628,314 | 591,054 | 591,054 | 0 |
| Pupil Transportation | 98,111 | 92,292 | 92,248 | 44 |
| Central | 28,425 | 26,739 | 26,739 | 0 |
| Operation of Non-Instructional Services | 3,241 | 3,049 | 3,049 | 0 |
| Extracurricular Activities | 149,873 | 141,239 | 141,239 | 0 |
| Debt Service: | | | | |
| Principal | 1,000,500 | 1,000,500 | 1,000,500 | 0 |
| <i>Total Expenditures</i> | 6,857,668 | 6,510,575 | 6,510,524 | 51 |
| <i>Excess of Revenues Under Expenditures</i> | (171,644) | (36,546) | (36,368) | 178 |
| Other Financing Sources (Uses) | | | | |
| Advances In | 28,969 | 28,969 | 28,969 | 0 |
| Advances Out | (1,800) | (1,800) | (1,800) | 0 |
| Transfers Out | (75,000) | (75,000) | (75,000) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | (47,831) | (47,831) | (47,831) | 0 |
| <i>Net Change in Fund Balance</i> | (219,475) | (84,377) | (84,199) | 178 |
| <i>Fund Balance Beginning of Year</i> | 697,758 | 697,758 | 697,758 | 0 |
| Prior Year Encumbrances Appropriated | 16,045 | 16,045 | 16,045 | 0 |
| <i>Fund Balance End of Year</i> | \$494,328 | \$629,426 | \$629,604 | \$178 |

See accompanying notes to the basic financial statements

McDonald Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2012

| | <u>Agency</u> |
|--|-----------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$28,830</u> |
| Liabilities | |
| Due to Students | <u>\$28,830</u> |

See accompanying notes to the basic financial statements

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 - Description of the School District and Reporting Entity

McDonald Local School District (the School District) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio to provide educational services to students and other community members of the School District. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 3 square miles in Trumbull County, including the Village of McDonald and portions of surrounding townships. The School District operates one elementary school and one comprehensive middle/high school. It is staffed by 55 certified and 16 classified personnel to provide services to 909 students and other community members.

On February 28, 2012, the Auditor of State terminated the School District from fiscal emergency. Based upon an analysis performed by the Auditor of State, the School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, the objectives of the financial recovery plan have been met, an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented and the Board of Education has prepared a positive five-year financial forecast.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and one public entity pool. The organizations are the North Eastern Ohio Management Information Network, the Trumbull County Career and Technical Center and the Trumbull County Schools Employee Insurance Benefits Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. In reporting its financial activities, the School District uses two categories of funds: governmental 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

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

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

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

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

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., 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.

Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

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 control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund. Prior to year end the Board of Education adopted appropriations which match actual expenditures plus encumbrances and requested a certificate of estimated resources to match actual revenues.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The School District had no investments during the fiscal year or at fiscal year end.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$2,671, which includes \$736 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include unspent resources restricted for unclaimed monies.

Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land, 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:

| Description | Governmental Activities Estimated Lives |
|---------------------------|---|
| Land Improvements | 20 years |
| Building and Improvements | 20 - 50 years |
| Furniture and Furniture | 5 - 20 years |
| Vehicles | 8 years |

Interfund Balances

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees at least 50 years of age with 10 years of service and all employees at any age with 20 years of service.

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

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and 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 capital leases are recognized as a liability on the fund financial statements when due.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

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

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service and extracurricular activities.

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

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

Bond Issuance Costs

Bond issuance costs for underwriting fees for the refunding notes and bonds are being amortized using the straight-line method over the life of the agreement on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Deferred Loss on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of the refunding notes and bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter and is presented net of the general obligation bonds payable on the statement of net assets.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

Estimates

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

Note 3 – Change in Accounting Principle and Restatement of Prior Year Fund Balance and Net Assets

Change in Accounting Principle

For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53” Fund Balance Reporting and Governmental Fund Type Definitions”.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District's financial statements.

Restatement of Prior Year Fund Balance and Net Assets

In prior fiscal years, the School District reported the unclaimed monies fund and the special trust fund as private purpose trust funds and classified their activity as fiduciary. In fiscal year 2012, the unclaimed monies fund was reported under the general fund and the special trust fund was reported under other governmental funds on the Balance Sheet and as part of governmental activities on the Statement of Net Assets.

| | General | Other Governmental Funds | Total |
|------------------------------------|-------------|--------------------------------|-------------|
| Fund Balance, June 30, 2011 | (\$851,840) | \$132,129 | (\$719,711) |
| Fund Reclassification | 21,725 | 108,356 | 130,081 |
| Adjusted Net Assets, June 30, 2011 | (\$830,115) | \$240,485 | (\$589,630) |

| | Governmental Activities |
|------------------------------------|----------------------------|
| Net Assets, June 30, 2011 | \$11,689,687 |
| Fund Reclassification | 130,081 |
| Adjusted Net Assets, June 30, 2011 | \$11,819,768 |

Note 4 – Fund Deficits

Fund balances at June 30, 2012, included the following individual fund deficits:

Special Revenue Funds:

| | |
|---------------------|---------|
| Food Service | \$4,768 |
| Title I | 182 |
| Reducing Class Size | 205 |

The special revenue funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 5 – Fund Balances

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

| Fund Balances | General | Other Governmental Funds | Total |
|----------------------------------|----------|--------------------------------|-----------|
| <i>Nonspendable</i> | | | |
| Materials and Supplies Inventory | \$0 | \$318 | \$318 |
| Unclaimed Monies | 21,725 | 0 | 21,725 |
| <i>Total Nonspendable</i> | 21,725 | 318 | 22,043 |
| <i>Restricted for</i> | | | |
| Scholarships | 0 | 86,277 | 86,277 |
| Athletics | 0 | 13,780 | 13,780 |
| Classroom Facilities Maintenance | 0 | 108,289 | 108,289 |
| Technology Improvements | 0 | 7,152 | 7,152 |
| Debt Service Payments | 0 | 106,698 | 106,698 |
| Capital Improvements | 0 | 123,849 | 123,849 |
| <i>Total Restricted</i> | 0 | 446,045 | 446,045 |
| <i>Committed to</i> | | | |
| Other Purposes | 17,728 | 0 | 17,728 |
| <i>Assigned to</i> | | | |
| Other Purposes | 3,254 | 0 | 3,254 |
| <i>Unassigned (Deficit)</i> | (12,151) | (5,473) | (17,624) |
| <i>Total Fund Balances</i> | \$30,556 | \$440,890 | \$471,446 |

Note 6 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the public school support special revenue funds are classified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

| Net Change in Fund Balance | |
|---|--------------------------|
| GAAP Basis | \$860,671 |
| Revenue Accruals | 3,419 |
| Advance In | 28,969 |
| Expenditure Accruals | (887,191) |
| Advance Out | (1,800) |
| Excess of revenues (over) under expenditures: | |
| Public School Support | (797) |
| Encumbrances | <u>(87,470)</u> |
| Budget Basis | <u><u>(\$84,199)</u></u> |

Note 7 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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 School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012 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 revenue.

The amount available as an advance at June 30, 2012, was \$1,852 in the general fund, \$22 in the classroom facilities maintenance special revenue fund and \$202 in the bond retirement fund. The amount available as an advance at June 30, 2011, was \$4,507 in the general fund, \$51 in the classroom facilities maintenance special revenue fund, \$134 in the capital improvement fund and \$370 in the bond retirement fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2012 taxes were collected are:

| | 2011 Second Half Collections | | 2012 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$52,952,820 | 97.90% | \$50,835,250 | 97.70% |
| Public Utility Personal | 1,086,110 | 2.01 | 1,197,130 | 2.30 |
| General Business Personal | 47,990 | 0.09 | 0 | 0.00 |
| Total | \$54,086,920 | 100.00% | \$52,032,380 | 100.00% |
| Full Tax Rate per \$1,000 of assessed valuation | \$56.35 | | \$63.90 | |

On May 3, 2011, the residents of the School District passed a five-year 7.25 mill emergency levy placed on the ballot. Tax revenue from this levy was received beginning in January 2012.

Note 9 - Receivables

Receivables at June 30, 2012, consisted of taxes, interfund and intergovernmental monies. 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. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Intergovernmental receivables at June 30, 2012 consisted of a refund from the School Employees Retirement System in the amount of \$33,516.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

| | Balance June 30, 2011 | Additions | Deletions | Balance June 30, 2012 |
|--|--------------------------|--------------------|------------|--------------------------|
| Nondepreciable Capital Assets | | | | |
| Land | \$311,600 | \$0 | \$0 | \$311,600 |
| Depreciable Capital Assets | | | | |
| Land Improvements | 524,008 | 0 | 0 | 524,008 |
| Buildings and Improvements | 19,922,204 | 70,280 | 0 | 19,992,484 |
| Equipment and Furniture | 342,964 | 0 | 0 | 342,964 |
| Vehicles | 213,797 | 86,942 | 0 | 300,739 |
| <i>Total at Historical Cost</i> | <u>21,002,973</u> | <u>157,222</u> | <u>0</u> | <u>21,160,195</u> |
| Less: Accumulated Depreciation | | | | |
| Land Improvements | (243,864) | (24,185) | 0 | (268,049) |
| Buildings and Improvements | (6,725,484) | (649,480) | 0 | (7,374,964) |
| Equipment and Furniture | (210,871) | (20,861) | 0 | (231,732) |
| Vehicles | (182,947) | (14,248) | 0 | (197,195) |
| <i>Total Accumulated Depreciation</i> | <u>(7,363,166)</u> | <u>(708,774) *</u> | <u>0</u> | <u>(8,071,940)</u> |
| <i>Depreciable Capital Assets, Net of Accumulated Depreciation</i> | <u>13,639,807</u> | <u>(551,552)</u> | <u>0</u> | <u>13,088,255</u> |
| <i>Governmental Activities Capital Assets, Net</i> | <u>\$13,951,407</u> | <u>(\$551,552)</u> | <u>\$0</u> | <u>\$13,399,855</u> |

* Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|------------------|
| Instruction | |
| Regular | \$673,448 |
| Support Services | |
| Administration | 12,265 |
| Operation and Maintenance of Plant | 4,075 |
| Pupil Transportation | 14,248 |
| Operation of Food Service | 3,440 |
| Extracurricular Activities | 1,298 |
| Total Depreciation Expense | <u>\$708,774</u> |

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 11 – Fund Obligations

During fiscal year 2010, the School District received an interest free State solvency assistance advance in the amount of \$2,001,000. The State solvency assistance advance is paid from the general fund.

| | Outstanding June 30, 2011 | Additions | Deletions | Outstanding June 30, 2012 |
|---|------------------------------|-----------|-------------|------------------------------|
| 2010 0.00% State Solvency Assistance Advance | \$1,000,500 | \$0 | \$1,000,500 | \$0 |

During fiscal year 2012, the fiscal year 2010 solvency assistance advance was fully retired.

Note 12 - Interfund Transactions

Interfund Transfers

The general fund made a transfer of \$75,000 to the permanent improvement capital projects fund to help provide funding for fiscal year 2012.

Interfund Balances

Interfund balances at June 30, 2012, consist of an interfund receivable/payable between the general fund and the nonmajor governmental funds in the amount of \$1,100. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

Note 13 – Long-Term Obligations

Original issue amounts and interest rates of the School District’s debt issues were as follows:

| Debt Issue | Interest Rate | Original Issue | Year of Maturity |
|--------------------------------|----------------|----------------|---------------------|
| 2006 School Improvement Bonds: | | | |
| Current Interest Serial Bonds | 3.70% to 4.00% | 625,000 | 2017 |
| Capital Appreciation Bonds | 4.60% to 4.70% | 84,997 | 2020 |
| Current Issue Term Bonds | 3.70% to 4.10% | 580,000 | 2023 |

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

| Governmental Activities | Principal Outstanding June 30, 2011 | Additions | Deductions | Principal Outstanding June 30, 2012 | Amount Due in One Year |
|--|---|------------------|--------------------|---|------------------------------|
| General Obligation Bonds | | | | | |
| <i>2001 School Improvement Bonds</i> | | | | | |
| Capital Appreciation Bonds | \$1,661 | \$0 | (\$1,661) | \$0 | \$0 |
| Accretion | 69,971 | 13,368 | (83,339) | 0 | 0 |
| <i>Total 2001 School Improvement Bonds</i> | <u>71,632</u> | <u>13,368</u> | <u>(85,000)</u> | <u>0</u> | <u>0</u> |
| <i>2006 School Improvement Bonds</i> | | | | | |
| Current Interest Serial Bonds | 625,000 | 0 | 0 | 625,000 | 115,000 |
| Capital Appreciation Bonds | 84,997 | 0 | 0 | 84,997 | 0 |
| Accretion | 75,952 | 22,092 | 0 | 98,044 | 0 |
| Current Interest Term Bonds | 465,000 | 0 | (30,000) | 435,000 | 0 |
| Premium on Bonds | 98,361 | 0 | (8,615) | 89,746 | 0 |
| Loss on Refunding | (63,856) | 0 | 5,593 | (58,263) | 0 |
| <i>Total 2006 School Improvement Bonds</i> | <u>1,285,454</u> | <u>22,092</u> | <u>(33,022)</u> | <u>1,274,524</u> | <u>115,000</u> |
| <i>Total General Obligation Bonds</i> | <u>1,357,086</u> | <u>35,460</u> | <u>(118,022)</u> | <u>1,274,524</u> | <u>115,000</u> |
| Other Long-term Obligations | | | | | |
| Capital Leases | 80,774 | 0 | (18,418) | 62,356 | 19,554 |
| Special Termination Benefits | 111,825 | 0 | (41,400) | 70,425 | 41,400 |
| Compensated Absences | 256,425 | 134,831 | (114,374) | 276,882 | 4,660 |
| <i>Total Other Long-term Obligations</i> | <u>449,024</u> | <u>134,831</u> | <u>(174,192)</u> | <u>409,663</u> | <u>65,614</u> |
| <i>Total Governmental Activities</i> | | | | | |
| <i>Long-Term Liabilities</i> | <u>\$1,806,110</u> | <u>\$170,291</u> | <u>(\$292,214)</u> | <u>\$1,684,187</u> | <u>\$180,614</u> |

In 2001, the School District issued \$2,004,000 in school improvement general obligation bonds which included serial and capital appreciation (deep discount) bonds in the amounts of \$2,000,000 and \$4,000, respectively. The general obligation bonds were issued for the purpose of the renovations to the high school and the construction of a new elementary school. The general obligation bonds were retired from the debt service fund.

At June 30, 2011, the full amount of the serial bonds had been retired by the School District through annual debt service repayments. The capital appreciation bonds were fully repaid in fiscal year 2012.

In 2006, the School District issued \$1,289,997 in school improvement general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$625,000, \$580,000 and \$84,997, respectively. The general obligation bonds were issued for the purpose of refunding a portion of the 2001 school improvement bonds to take advantage of lower interest rates. The bonds were issued for a 16 year period with a final maturity at December 1, 2022. The bonds will be retired from the debt service fund.

The serial, term and capital appreciation bonds remained outstanding at June 30, 2012. The capital appreciation bonds were originally sold at a discount of \$335,003, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2018 through 2020.

The maturity amount of outstanding capital appreciation bonds at June 30, 2012 is \$420,000. The accretion recorded for 2012 was \$22,092, for a total outstanding bond liability of \$183,041 at June 30, 2012.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

| Year | Issue |
|------------------------|------------------|
| | \$435,000 |
| 2020 | \$140,000 |
| 2021 | 145,000 |
| Total | \$285,000 |
| <i>Stated Maturity</i> | <i>12/1/2022</i> |

The remaining principal amount of the term bonds (\$150,000) will mature at the stated maturity.

The capital lease will be paid out of the general fund. Special termination benefits will be paid out of the general fund. Compensated absences will be paid from the general fund and the food service special revenue fund.

The overall debt margin of the School District as of June 30, 2012, was \$3,644,615 with an unvoted debt margin of \$52,032. Principal and interest requirements to retire general obligation bonds and capital appreciation outstanding at June 30, 2012, are as follows:

| Fiscal Year Ending June 30 | General Obligation Bonds | | | | | |
|-------------------------------|--------------------------|----------|----------------------|-----------|-----------|-----------|
| | Serial | | Capital Appreciation | | Term | |
| | Principal | Interest | Principal | Accretion | Principal | Interest |
| 2013 | \$115,000 | \$21,722 | \$0 | \$0 | \$0 | \$17,835 |
| 2014 | 120,000 | 17,375 | 0 | 0 | 0 | 17,835 |
| 2015 | 125,000 | 12,780 | 0 | 0 | 0 | 17,835 |
| 2016 | 130,000 | 7,902 | 0 | 0 | 0 | 17,835 |
| 2017 | 135,000 | 2,700 | 0 | 0 | 0 | 17,835 |
| 2018 - 2022 | 0 | 0 | 84,997 | 335,003 | 285,000 | 77,593 |
| 2023 | 0 | 0 | 0 | 0 | 150,000 | 3,075 |
| Total | \$625,000 | \$62,479 | \$84,997 | \$335,003 | \$435,000 | \$169,843 |

Note 14 – Capital Lease

During the fiscal year, the School District entered into a capitalized lease obligation for copier and printer equipment. This lease meets criteria for a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases” and has been recorded on the government-wide statements.

The asset acquired through this capital lease is as follows:

| | |
|--------------------------------------|----------|
| <i>Asset:</i> | |
| Equipment & Furniture | \$98,123 |
| Less: Accumulated Depreciation | (18,398) |
| Total Book Value as of June 30, 2012 | \$79,725 |

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012.

| Fiscal Year Ending June 30, | Governmental Activities |
|---|----------------------------|
| 2013 | \$22,764 |
| 2014 | 22,764 |
| 2015 | 22,764 |
| Total Minimum Lease Payments | 68,292 |
| Less: Amount Representing Interest | (5,936) |
| Present Value of Net Minimum Lease Payments | \$62,356 |

Note 15 - Jointly Governed Organizations

North Eastern Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. McDonald Local School District paid \$21,779 to NEOMIN during fiscal year 2012.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent or NEOMIN). The McDonald Local School District was not represented on the Governing Board during fiscal year 2012. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN’s financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Trumbull County Career and Technical Center The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts’ elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Trumbull County Joint Vocational School, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Note 16 – Public Entity Pools

Shared Risk Pool

Trumbull County Schools Employee Insurance Benefits Consortium The School District participates in the Trumbull County Schools Employee Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 17 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District maintains comprehensive commercial insurance coverage through First Place Insurance, Ohio Casualty for real property, building contents, vehicles, and boilers.

Vehicle policies include liability coverage for bodily injury and property damage. The liability limits are \$1,000,000 for each accident and uninsured motorist of \$1,000,000 for each accident with a collision deductible of \$250.

Real property and contents are fully insured. Limits of insurance on real property and equipment are \$7,216,797 with a deductible of \$1,000.

The School District liability policy has a limit of \$1,000,000 for each occurrence and \$3,000,000 aggregate.

Trumbull County Schools Employee Insurance Benefits Consortium

The School District has contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical, dental, and prescription drug benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The McDonald Local School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Medical Mutual is the third party administrator for the Consortium, Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. Employees can choose between three different medical/surgical/prescription plans. The School District pays medical/surgical/prescription drug premiums of \$1,244 for family coverage and \$478 for single coverage per employee per month for the first option. The School District pays medical/surgical/prescription drug premiums of \$1,116 for family coverage and \$429 for single coverage per employee per month for the second option. The third option is a high deductible plan where the Board pays \$1,099 for family coverage and \$422 for single coverage. No employees have selected the third option. If the School District were to withdraw from the Consortium, there would be no liability because premium levels fund a reserve for subsequent claim payments.

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

Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll times the contribution rate established by Worker's Compensation for the School District. This rate is calculated based on accident history and administrative costs.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 18 – Defined Benefit Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$65,754, \$55,685 and \$94,047, respectively. For fiscal year 2012, 88.05 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System of Ohio

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

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

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$360,736 and \$0 for the fiscal year ended June 30, 2012, \$356,159 and \$11 for the fiscal year ended June 30, 2011, and \$441,210 and \$10 for the fiscal year ended June 30, 2010. For fiscal year 2012, 84.91 percent has been contributed for the DB plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$4,046 made by the School District and \$2,890 made by the plan members. No member contributions were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Note 19 – Postemployment Benefits

School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$7,863 in surcharge.

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

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,848, \$16,888 and \$13,681, respectively. For fiscal year 2012, 88.05 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010, were \$3,883, \$3,583 and \$5,593, respectively. For fiscal year 2012, 88.05 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$27,749, \$27,397 and \$33,939, respectively. For fiscal year 2012, 84.91 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Note 20 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers and most administrators do not earn vacation. The Treasurer earns 20 days of vacation annually which must be used by the end of each year. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Certificated employees with ten years or more of service upon retirement receive payment for twenty-five percent of the total sick leave accumulation, up to a maximum of 80 days. Classified employees with ten years or more of service upon retirement receive payment for twenty-five percent of the total sick leave accumulation.

Life Insurance Benefits

The School District provides life insurance to most employees through Fort Dearbon Life Insurance, Inc., in the amount of \$50,000 for all employees. Premiums are paid for by the Board of Education.

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Retirement Incentive

The School District Board of Education offered employees participation in a Retirement Incentive program in fiscal years 2008, 2009 and 2010. Participation was open to teachers who were eligible for service retirement under the State Teachers Retirement System (STRS) pursuant to O.R.C. 3307.38 and any applicable STRS regulations. In fiscal year 2008, six employees took the retirement incentive of \$20,000. In fiscal year 2009, three employees took the retirement incentive of \$15,000. In fiscal year 2010, four employees took the retirement incentive of \$15,000. Each retirement incentive will be paid out over a five year period.

Note 21 – Contingencies

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

The School District is not party to legal proceedings as of June 30, 2012.

Note 22 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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 year end and carried forward to be used for the same purposes in future years.

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

McDonald Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-Aside Reserve Balance as of June 30, 2011 | \$0 |
| Current Year Set-aside Requirement | 154,843 |
| Offsets | (179,195) |
| Qualifying Disbursements | <u>(1,272)</u> |
| Total | <u>(\$25,624)</u> |
| Set-aside Balance Carried Forward to Future Fiscal Years | <u>\$0</u> |
| Set-aside Balance as of June 30, 2012 | <u>\$0</u> |

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



Dave Yost • Auditor of State

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

McDonald Local School District
Trumbull County
600 Iowa Avenue
McDonald, Ohio 44437

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McDonald Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 11, 2013. In addition, as described in Note 3 to the financial statements, the District restated prior year fund balances and net assets due to a change in accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We intend this report solely for the information and use of management, the Board of Education, and others within the District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

January 11, 2013

**MCDONALD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012**

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

FINDING NUMBER 2012-001

Noncompliance

Ohio Rev. Code Section 5705.412 requires that a certificate signed pursuant to this section must be attached to all appropriation measures, qualifying contracts, and increases during a school year of any wage or salary schedule. Such certificate must certify that the school district has in effect the authorization to levy taxes including the renewal or replacement of existing levies which, when combined with the estimated revenue from all other available sources, are sufficient to provide the operating revenues necessary to enable the district to maintain all personnel and programs for all the days set forth in the adopted school calendars for the current fiscal year and for a number of days in the succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year. A certificate attached to any qualifying contract is required to cover the term of the contract. A certificate signed pursuant to this section is required to be signed by the treasurer, superintendent, and president of the board of education. For a school district in fiscal emergency under Ohio Rev. Code Chapter 3316, the certificate shall be signed by a member of the school district's financial planning and supervision commission (Ohio Rev. Code Section 5705.412 (B)).

The Auditor of State is responsible for determining compliance with this section. Where it is determined that a school district has not complied with this section, the Auditor of State shall notify the prosecuting attorney for the county, the city director of law, or other chief law officer of the school district. (Ohio Rev. Code Section 5705.412 (E)).

The District passed two permanent appropriation measures during fiscal year 2012, on September 12, 2011 and on June 26, 2012. The District also purchased a school bus on February 13, 2012 for \$78,742. The District was in fiscal emergency until February 28, 2012. The McDonald Local School District Financial Planning and Supervision Commission failed to prepare or sign any such certificate at the time of the first permanent appropriation measure and for the contract for the purchase of the school bus. The treasurer, superintendent, and president of the board of education of the McDonald Local School District failed to prepare or sign any such certificate at the time of the last permanent appropriation measure.

Anyone who knowingly does any of the following is liable for the full amount paid on the obligation, up to \$10,000:

- executing an obligation contrary to §5705.412,
- expending or authorizing the expenditure of public funds contrary to §5705.412, or
- authorizing or making payment of public funds on a void obligation

The above stated matter regarding the purchase of the school bus will be referred to the Trumbull County Prosecutor

Officials' Response: Officials did not provide a response.

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Dave Yost • Auditor of State

MCDONALD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2013**