



Dave Yost • Auditor of State



**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	17
Reconciliation of the Changes in Fund Balances Of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund .....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – Schoolwide Pool Fund .....	20
Statement of Fiduciary Net Position – Fiduciary Fund.....	21
Notes to the Basic Financial Statements.....	23
Schedule of Federal Awards Receipts and Expenditures.....	49
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	50
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	51
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 .....	53
Schedule of Findings - OMB Circular A-133 § .505 .....	57
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b).....	61
Corrective Action Plan – OMB Circular A-133 § .315(c).....	62

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Martins Ferry City School District  
Belmont County  
5001 Ayers Limestone Road  
Martins Ferry, Ohio 43935

To the Board of Education:

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

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

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

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

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

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

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

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

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Martins Ferry City School District, Belmont County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparisons for the General and Schoolwide Pool Special Revenue Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 6, 2015

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**Martins Ferry City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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

### **Financial Highlights**

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

- In total, net position decreased \$189,983.
- General revenues accounted for \$11,898,847 in revenue or approximately 72 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions, accounted for \$4,666,025 or approximately 28 percent of total revenues of \$16,564,872.
- Total assets of governmental activities decreased \$500,486. Current assets increased by \$889,316 primarily due to an increase in cash and cash equivalents due to an increase in intergovernmental revenue and tuition and fees, as well as conservative spending. The increase in cash and cash equivalents is offset by a decrease in intergovernmental receivables. Capital assets decreased \$1,389,802 primarily due to depreciation expense which was offset slightly by capital asset additions.
- The School District had \$16,754,855 in expenses related to governmental activities; only \$4,666,025 of these expenses were offset by program specific charges for services and sales, and operating grants and contributions. General revenues of \$11,898,847 were not adequate to provide for these programs.
- Total governmental funds had \$16,625,622 in revenues and \$15,629,132 in expenditures. Overall, including other financing sources and uses, Total Governmental Funds' balance increased \$996,490.

### **Using this Annual Financial Report**

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

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

**Martins Ferry City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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***Reporting the School District as a Whole***

*Statement of Net Position and Statement of Activities*

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

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

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, food service operations, operation of non-instructional services, and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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

**Martins Ferry City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2014  
Unaudited

**Reporting the District's Fiduciary Responsibilities**

The School District acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported as agency funds. The School District's fiduciary activities are reported in a separate Statement of Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**The School District as a Whole**

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

<b>Table 1</b>			
<b>Net Position</b>			
	<b>Governmental Activities</b>		
	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
<b>Assets</b>			
Current and Other Assets	\$7,288,685	\$6,399,369	\$889,316
Capital Assets	37,745,262	39,135,064	(1,389,802)
Total Assets	<u>45,033,947</u>	<u>45,534,433</u>	<u>(500,486)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	<u>603,580</u>	<u>905,370</u>	<u>(301,790)</u>
<b>Liabilities</b>			
Long-Term Liabilities	14,127,334	14,676,622	(549,288)
Other Liabilities	1,644,887	1,732,116	(87,229)
Total Liabilities	<u>15,772,221</u>	<u>16,408,738</u>	<u>(636,517)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current Year Operations	<u>2,927,300</u>	<u>2,903,076</u>	<u>24,224</u>
<b>Net Position (Deficit)</b>			
Net Investment in Capital Assets	25,305,199	26,343,676	(1,038,477)
Restricted	1,763,564	1,538,079	225,485
Unrestricted	(130,757)	(753,766)	623,009
Total Net Position	<u>\$26,938,006</u>	<u>\$27,127,989</u>	<u>(\$189,983)</u>

Total assets of governmental activities decreased \$500,486. Current assets increased by \$889,316 primarily due to an increase in cash and cash equivalents due to an increase in intergovernmental revenue and tuition and fees, as well as conservative spending. The increase in cash and cash equivalents is offset by a decrease in intergovernmental receivables. Capital assets decreased \$1,389,802 primarily due to depreciation expense which was offset slightly by capital asset additions.

Total liabilities decreased \$636,517 primarily due to decreased long-term liabilities from annual debt service payments on bonds and capital leases.

**Martins Ferry City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2014  
Unaudited

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

<b>Table 2</b>			
<b>Changes in Net Position</b>			
	<b>Governmental Activities</b>		<b>Net Change</b>
	2014	2013	
<b>Revenues</b>			
<i>Program Revenue</i>			
Charges for Services and Sales	\$1,505,896	\$1,569,002	(\$63,106)
Operating Grants and Contributions	3,160,129	2,314,965	845,164
<b>Total Program Revenue</b>	<b>4,666,025</b>	<b>3,883,967</b>	<b>782,058</b>
<i>General Revenue</i>			
Property Taxes	3,031,921	2,902,319	129,602
Grants and Entitlements	8,797,502	9,156,004	(358,502)
Gifts and Donations	25,737	10,292	15,445
Investment Earnings	2,505	2,558	(53)
Gain on Sale of Capital Assets	0	10,500	(10,500)
Miscellaneous	41,182	173,603	(132,421)
<b>Total General Revenue</b>	<b>11,898,847</b>	<b>12,255,276</b>	<b>(356,429)</b>
<b>Total Revenues</b>	<b>16,564,872</b>	<b>16,139,243</b>	<b>425,629</b>
<b>Program Expenses</b>			
Instruction:			
Regular	7,256,774	7,730,372	(473,598)
Special	2,149,884	1,414,909	734,975
Vocational	316,740	354,377	(37,637)
Student Intervention Services	76,964	74,265	2,699
Support Services:			
Pupil	570,079	616,280	(46,201)
Instructional Staff	382,997	659,600	(276,603)
Board of Education	39,099	39,520	(421)
Administration	1,153,583	1,154,467	(884)
Fiscal	365,340	350,153	15,187
Operation and Maintenance of Plant	1,403,238	1,234,778	168,460
Pupil Transportation	829,894	865,909	(36,015)
Central	78,974	57,896	21,078
Operation of Non-Instructional Services	178,281	140,238	38,043
Food Service Operations	771,127	839,134	(68,007)
Extracurricular Activities	395,607	478,188	(82,581)
Interest and Fiscal Charges	786,274	735,682	50,592
<b>Total Expenses</b>	<b>16,754,855</b>	<b>16,745,768</b>	<b>9,087</b>
Decrease in Net Position	(189,983)	(606,525)	416,542
Net Position Beginning of Year	27,127,989	27,734,514	(606,525)
<b>Net Position End of Year</b>	<b>\$26,938,006</b>	<b>\$27,127,989</b>	<b>(\$189,983)</b>

**Martins Ferry City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

***Governmental Activities***

Property taxes comprise 18 percent of revenues for the School District, whereas unrestricted grants and entitlements comprise 53 percent of revenues for fiscal year 2014. Program revenue operating grants increased \$845,164 from the prior year primarily due to an increase in program specific special education funding.

Instruction comprises approximately 58 percent of governmental program expenses, and reflected an increase of \$226,439 from fiscal year 2013. The increases in special instruction and the decrease in instructional staff support services is the result of a change in the coding of expenses in these programs. In prior fiscal years, certain expenses were reported as instructional staff support services, rather than as special instruction. Overall, program expenses of the School District increased \$9,087. The very slight increase is primarily due to the School District's attempt to monitor spending.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2014 compared to fiscal year 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$7,256,774	\$7,730,372	\$5,578,934	\$5,929,365
Special	2,149,884	1,414,909	450,481	1,064,066
Vocational	316,740	354,377	262,336	237,217
Student Intervention Services	76,964	74,265	76,964	74,265
Support Services:				
Pupil	570,079	616,280	568,534	607,915
Instructional Staff	382,997	659,600	380,167	552,816
Board of Education	39,099	39,520	39,099	39,520
Administration	1,153,583	1,154,467	1,153,583	1,154,467
Fiscal	365,340	350,153	97,484	157,766
Operation and Maintenance of Plant	1,403,238	1,234,778	1,368,277	945,075
Pupil Transportation	829,894	865,909	829,894	865,909
Central	78,974	57,896	66,440	57,896
Operation of Non-Instructional Services	178,281	140,238	33,724	(1,443)
Food Service Operations	771,127	839,134	109,521	67,613
Extracurricular Activities	395,607	478,188	287,118	373,672
Interest and Fiscal Charges	786,274	735,682	786,274	735,682
Total Expenses	\$16,754,855	\$16,745,768	\$12,088,830	\$12,861,801

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as approximately 72 percent of total expenses are supported through taxes and other general revenues.

**Martins Ferry City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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**The School District Funds**

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. The School District has three major funds, the General Fund, the Schoolwide Pool Special Revenue Fund, and the Debt Service Fund. The General Fund had \$13,553,687 in revenues and \$11,061,123 in expenditures. Including other financing uses, the General Fund's balance increased \$769,346. The Schoolwide Pool Fund had \$522,299 in revenues and \$2,243,517 in expenditures. Including other financing sources, the Schoolwide Pool had no change in fund balance. The Debt Service Fund had revenues in the amount of \$779,900 and expenditures in the amount of \$655,895, which resulted in a fund balance increase in the amount of \$124,005.

**General Fund Budgeting Highlights**

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

During the course of fiscal 2014, the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflected a significant increase in intergovernmental revenue estimates. Changes between original and final budgeted appropriations were not significant. The actual results of operations were different than budgeted amounts as spending in all categories was lower than budgeted appropriations; there was no significant difference between final estimated revenues and actual.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2014, the School District had \$37,745,262 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles, net of depreciation. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013.

**Table 4**  
**Capital Assets Net of Depreciation**  
**Governmental Activities**

	2014	2013
Land	\$2,436,556	\$2,436,556
Land Improvements	2,703,344	2,909,552
Buildings and Improvements	31,958,679	32,975,638
Furniture and Equipment	444,876	559,265
Vehicles	201,807	254,053
Totals	\$37,745,262	\$39,135,064

See Note 8 for more detailed information of the School District's capital assets.

**Martins Ferry City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

**Debt**

At June 30, 2014, the School District had \$10,243,276 in outstanding general obligation bonds including accretion of interest on capital appreciation bonds, premiums, and discounts. In addition, the School District had \$3,066,518 in outstanding capital leases.

**Table 5**  
**Outstanding Debt at Fiscal Year End**  
**Governmental Activities**

	2014	2013
2005 School Construction and Improvement Bonds		
Serial/Term Bonds	\$540,000	\$750,000
Premium	30,015	40,020
2012 Refunding Bonds		
Serial Bonds	7,775,000	7,935,000
Capital Appreciation Bonds	294,992	294,992
Accretion on Capital Appreciation Bonds	236,136	106,857
Premium	1,438,705	1,514,416
Discount	(71,572)	(75,339)
Capital Leases	3,066,518	3,277,689
<b>Total</b>	<b>\$13,309,794</b>	<b>\$13,843,635</b>

See Note 14 for more detailed information related to the School District's debt.

**Economic Factors**

The School District began fiscal year 2014 with a General Fund deficit fund balance. The School District continued a schoolwide pool for the elementary school, where 40 percent of the student population qualifies for a free or reduced lunch, which combines General Fund moneys with Title I and Title II-A federal moneys that allows the School District more flexibility for the use of Federal funds. The two-year five percent salary reduction and the freeze on salary steps and columns were reinstated in fiscal year 2013. Employees were placed on the salary schedules where they would have been had the freeze had not taken place. For fiscal year 2014 there was no increase on the base salary schedule, but certificated staff and administrators were given a one-time two and a half percent stipend.

The School District Board of Education approved a forecast reflecting an increase in revenues for fiscal year 2015. The School District State Foundation revenue is forecasted to increase for fiscal year 2015 and stay flat throughout the remainder of the forecast. The forecast reflects increases in expenditures for fiscal year 2015 and continuing to increase throughout the remainder of the forecast. Salary and wage expenses are expected to increase as a result of a four percent wage increase in fiscal years 2015 and 2016 as part the current negotiated contract. Retirement benefits are expected to increase in correlation to the increases in wages. Health benefits expenses are also expected to continue to increase.

**Martins Ferry City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Karen Blake, Treasurer/CFO at Martins Ferry City School District, 5001 Ayers Limestone Rd, Martins Ferry, Ohio 43935.

**Martins Ferry City School District**

*Statement of Net Position*

*June 30, 2014*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,584,689
Intergovernmental Receivable	54,615
Materials and Supplies Inventory	27,479
Prepaid Items	8,578
Property Taxes Receivable	3,613,324
Non-Depreciable Capital Assets	2,436,556
Depreciable Capital Assets, Net	<u>35,308,706</u>
Total Assets	<u>45,033,947</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>603,580</u>
<b>Liabilities</b>	
Accounts Payable	13,059
Accrued Wages and Benefits Payable	1,151,074
Intergovernmental Payable	366,216
Accrued Interest Payable	21,840
Vacation Benefits Payable	46,319
Matured Severance Payable	33,389
Retirement Incentive Payable	12,990
Long-Term Liabilities:	
Due Within One Year	674,199
Due In More Than One Year	<u>13,453,135</u>
Total Liabilities	<u>15,772,221</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes not Levied to Finance Current Year Operations	<u>2,927,300</u>
<b>Net Position (Deficit)</b>	
Net Investment in Capital Assets	25,305,199
Restricted for:	
Debt Service	1,018,150
Capital Projects	314,249
Food Service	216,013
Classroom Facilities Maintenance	162,436
State Programs	20,526
Other Purposes	32,190
Unrestricted	<u>(130,757)</u>
Total Net Position	<u><u>\$26,938,006</u></u>

See accompanying notes to the basic financial statements

**Martins Ferry City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,256,774	\$1,166,036	\$511,804	(\$5,578,934)
Special	2,149,884	0	1,699,403	(450,481)
Vocational	316,740	0	54,404	(262,336)
Student Intervention Services	76,964	0	0	(76,964)
Support Services:				
Pupil	570,079	0	1,545	(568,534)
Instructional Staff	382,997	0	2,830	(380,167)
Board of Education	39,099	0	0	(39,099)
Administration	1,153,583	0	0	(1,153,583)
Fiscal	365,340	0	267,856	(97,484)
Operation and Maintenance of Plant	1,403,238	2,180	32,781	(1,368,277)
Pupil Transportation	829,894	0	0	(829,894)
Central	78,974	0	12,534	(66,440)
Operation of Non-Instructional Service	178,281	0	144,557	(33,724)
Food Service Operations	771,127	229,191	432,415	(109,521)
Extracurricular Activities	395,607	108,489	0	(287,118)
Interest and Fiscal Charges	786,274	0	0	(786,274)
<i>Total Governmental Activities</i>	<u>\$16,754,855</u>	<u>\$1,505,896</u>	<u>\$3,160,129</u>	<u>(12,088,830)</u>

**General Revenues**

Property Taxes Levied for General Purposes	2,312,455
Property Taxes Levied for Capital Outlay	73,252
Property Taxes Levied for Debt Service	583,001
Property Taxes Levied for Building Maintenance	63,213
Grants and Entitlements not Restricted to Specific Programs	8,797,502
Gifts and Donations	25,737
Investment Earnings	2,505
Miscellaneous	41,182
<i>Total General Revenues</i>	<u>11,898,847</u>
Change in Net Position	(189,983)
<i>Net Position Beginning of Year</i>	<u>27,127,989</u>
<i>Net Position End of Year</i>	<u>\$26,938,006</u>

See accompanying notes to the basic financial statements

**Martins Ferry City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2014*

	General	Schoolwide Pool	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,803,935	\$0	\$933,982	\$835,772	\$3,573,689
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	11,000	0	0	0	11,000
Receivables:					
Property Taxes	2,761,642	0	684,899	166,783	3,613,324
Intergovernmental	46,527	0	0	8,088	54,615
Interfund	37,385	282,247	0	0	319,632
Prepaid Items	8,578	0	0	0	8,578
Materials and Supplies Inventory	12,685	0	0	14,794	27,479
<i>Total Assets</i>	<u>\$4,681,752</u>	<u>\$282,247</u>	<u>\$1,618,881</u>	<u>\$1,025,437</u>	<u>\$7,608,317</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$11,679	\$0	\$0	\$1,380	\$13,059
Accrued Wages and Benefits Payable	835,291	233,469	0	82,314	1,151,074
Interfund Payable	247,100	37,385	0	35,147	319,632
Intergovernmental Payable	318,602	11,393	0	36,221	366,216
Matured Severance Payable	33,389	0	0	0	33,389
Retirement Incentive Payable	12,990	0	0	0	12,990
<i>Total Liabilities</i>	<u>1,459,051</u>	<u>282,247</u>	<u>0</u>	<u>155,062</u>	<u>1,896,360</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes not Levied to Finance Current Year Operations	2,242,463	0	548,876	135,961	2,927,300
Unavailable Revenue	426,698	0	100,151	22,783	549,632
<i>Total Deferred Inflows of Resources</i>	<u>2,669,161</u>	<u>0</u>	<u>649,027</u>	<u>158,744</u>	<u>3,476,932</u>
<b>Fund Balances</b>					
Nonspendable:					
Inventories	12,685	0	0	14,794	27,479
Prepays	8,578	0	0	0	8,578
Restricted for:					
Debt Service	0	0	969,854	0	969,854
Capital Projects	0	0	0	297,162	297,162
Food Service Operations	0	0	0	201,219	201,219
Classroom Facilities Maintenance	0	0	0	156,740	156,740
Local Programs	0	0	0	21,190	21,190
State Programs	0	0	0	20,526	20,526
Underground Storage Tank Premium	11,000	0	0	0	11,000
Unassigned	521,277	0	0	0	521,277
<i>Total Fund Balances</i>	<u>553,540</u>	<u>0</u>	<u>969,854</u>	<u>711,631</u>	<u>2,235,025</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,681,752</u>	<u>\$282,247</u>	<u>\$1,618,881</u>	<u>\$1,025,437</u>	<u>\$7,608,317</u>

See accompanying notes to the basic financial statements

**Martins Ferry City School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2014*

<b>Total Governmental Fund Balances</b>		\$2,235,025
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		37,745,262
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	506,612	
Tuition and Fees	43,020	
Total	549,632	549,632
The unamortized portion of the difference on refunding represents deferred charges on refunding, which are not reported in the funds.		603,580
In the Statement of Activities, interest is accrued on outstanding bonds and notes, whereas in the governmental funds, an interest expenditure is reported when due.		(21,840)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds - Serial/Term	8,315,000	
Premium on Serial/Term Bonds	30,015	
General Obligation Bonds - Capital Appreciation Bonds	294,992	
Capital Appreciation Bond Interest Accretion	236,136	
Premium on Capital Appreciation Bonds	1,438,705	
Discount on Serial Bonds	(71,572)	
Capital Leases	3,066,518	
Compensated Absences	817,540	
Vacation Benefits Payable	46,319	
Total	(14,173,653)	(14,173,653)
<i>Net Position of Governmental Activities</i>		<b>\$26,938,006</b>

See accompanying notes to the basic financial statements

**Martins Ferry City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Schoolwide Pool	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$2,347,487	\$0	\$593,315	\$138,505	\$3,079,307
Intergovernmental	9,983,435	522,299	186,583	1,265,314	11,957,631
Interest	3	0	2	2,500	2,505
Tuition and Fees	1,125,938	0	0	0	1,125,938
Extracurricular Activities	0	0	0	108,489	108,489
Rent	2,180	0	0	0	2,180
Contributions and Donations	0	0	0	25,737	25,737
Charges for Services	53,462	0	0	229,191	282,653
Miscellaneous	41,182	0	0	0	41,182
<i>Total Revenues</i>	<u>13,553,687</u>	<u>522,299</u>	<u>779,900</u>	<u>1,769,736</u>	<u>16,625,622</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	4,887,788	1,733,163	0	128,390	6,749,341
Special	1,088,468	510,354	0	449,446	2,048,268
Vocational	304,673	0	0	0	304,673
Student Intervention Services	75,462	0	0	0	75,462
Support Services:					
Pupil	542,483	0	0	1,752	544,235
Instructional Staff	281,397	0	0	2,830	284,227
Board of Education	39,099	0	0	0	39,099
Administration	1,055,887	0	0	0	1,055,887
Fiscal	331,281	0	16,775	4,009	352,065
Operation and Maintenance of Plant	1,152,274	0	0	7,345	1,159,619
Pupil Transportation	677,718	0	0	0	677,718
Central	59,463	0	0	14,213	73,676
Operation of Non-Instructional Services	20,102	0	0	160,188	180,290
Food Service Operations	0	0	0	661,896	661,896
Extracurricular Activities	210,133	0	0	108,570	318,703
Capital Outlay	0	0	0	84,958	84,958
Debt Service:					
Principal Retirement	188,671	0	370,000	22,500	581,171
Interest and Fiscal Charges	146,224	0	269,120	22,500	437,844
<i>Total Expenditures</i>	<u>11,061,123</u>	<u>2,243,517</u>	<u>655,895</u>	<u>1,668,597</u>	<u>15,629,132</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,492,564</u>	<u>(1,721,218)</u>	<u>124,005</u>	<u>101,139</u>	<u>996,490</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	1,721,218	0	2,000	1,723,218
Transfers Out	(1,723,218)	0	0	0	(1,723,218)
Total Other Financing Sources (Uses)	<u>(1,723,218)</u>	<u>1,721,218</u>	<u>0</u>	<u>2,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	769,346	0	124,005	103,139	996,490
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(215,806)</u>	<u>0</u>	<u>845,849</u>	<u>608,492</u>	<u>1,238,535</u>
<i>Fund Balances End of Year</i>	<u>\$553,540</u>	<u>\$0</u>	<u>\$969,854</u>	<u>\$711,631</u>	<u>\$2,235,025</u>

See accompanying notes to the basic financial statements

**Martins Ferry City School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

**Net Change in Fund Balances - Total Governmental Funds** \$996,490

*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 asset additions in the current period.

Capital Assets Additions	12,272	
Depreciation Expense	(1,402,074)	
Total		(1,389,802)

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

Property Taxes	(47,386)	
Tuition and Fees	(13,364)	
Total		(60,750)

The refunding difference is allocated as a reduction of expenses in the Statement of Activities over the life of the bonds (301,790)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt in the Statement of Activities, and the accretion of interest on capital appreciation bonds is reported in the Statement of Activities.

Accrued Interest	690	
Accretion on Capital Appreciation Bonds	(129,279)	
Total		(128,589)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds in the Statement of Activities. 85,716

Bond discounts are reported as other financing uses in the governmental funds, but are allocated as an expense over the life of the bonds in the Statement of Activities. (3,767)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

General Obligation Bonds - Serial	370,000	
Capital Leases	211,171	
Total		581,171

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.

Vacation Benefits Payable	15,891	
Compensated Absences	15,447	
Total		31,338

*Change in Net Position of Governmental Activities* (\$189,983)

See accompanying notes to the basic financial statements

**Martins Ferry City 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, 2014*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$2,485,000	\$2,335,960	\$2,336,238	\$278
Intergovernmental	8,677,200	10,019,450	10,005,372	(14,078)
Interest	0	0	3	3
Tuition and Fees	984,800	1,125,800	1,125,938	138
Rent	1,900	2,180	2,180	0
Charges for Services	46,800	53,460	53,462	2
Miscellaneous	26,800	30,650	41,182	10,532
<i>Total Revenues</i>	<u>12,222,500</u>	<u>13,567,500</u>	<u>13,564,375</u>	<u>(3,125)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,785,980	4,935,910	4,886,998	48,912
Special	1,060,330	1,093,550	1,076,834	16,716
Vocational	296,000	305,280	302,239	3,041
Student Intervention Services	73,370	75,670	74,920	750
Support Services:				
Pupil	554,600	571,970	566,953	5,017
Instructional Staff	298,560	307,910	304,846	3,064
Board of Education	38,290	39,490	39,099	391
Administration	1,082,860	1,116,780	1,110,869	5,911
Fiscal	326,220	336,440	333,092	3,348
Operation and Maintenance of Plant	1,132,200	1,167,670	1,159,375	8,295
Pupil Transportation	671,210	692,240	685,368	6,872
Central	58,650	60,480	59,882	598
Operation of Non-Instructional Services	19,500	20,110	19,909	201
Extracurricular Activities	207,780	214,290	212,154	2,136
Capital Outlay	58,760	60,600	60,000	600
Debt Service:				
Principal Retirement	96,470	99,490	98,500	990
Interest and Fiscal Charges	103,420	106,660	105,603	1,057
<i>Total Expenditures</i>	<u>10,864,200</u>	<u>11,204,540</u>	<u>11,096,641</u>	<u>107,899</u>
Excess of Revenues Over Expenditures	1,358,300	2,362,960	2,467,734	104,774
<b>Other Financing Uses</b>				
Transfers Out	(1,716,480)	(1,770,240)	(1,752,628)	17,612
<i>Net Change in Fund Balance</i>	(358,180)	592,720	715,106	122,386
<i>Fund Balance Beginning of Year</i>	<u>1,127,807</u>	<u>1,127,807</u>	<u>1,127,807</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$769,627</u>	<u>\$1,720,527</u>	<u>\$1,842,913</u>	<u>\$122,386</u>

See accompanying notes to the basic financial statements

**Martins Ferry City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Schoolwide Pool Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Intergovernmental	\$0	\$80	\$85	\$5
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	0	1,831,179	1,831,066	113
Special	0	476,825	476,823	2
<i>Total Expenditures</i>	0	2,308,004	2,307,889	115
Excess of Revenues Under Expenditures	0	(2,307,924)	(2,307,804)	120
<b>Other Financing Sources</b>				
Transfers In	0	2,270,822	2,270,419	(403)
<i>Net Change in Fund Balance</i>	0	(37,102)	(37,385)	(283)
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance (Deficit) End of Year</i>	\$0	(\$37,102)	(\$37,385)	(\$283)

See accompanying notes to the basic financial statements

**Martins Ferry City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Fund*  
*June 30, 2014*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$20,314</u>
<i>Total Assets</i>	<u><u>\$20,314</u></u>
<b>Liabilities</b>	
Undistributed Monies	\$2,470
Due to Students	<u>17,844</u>
<i>Total Liabilities</i>	<u><u>\$20,314</u></u>

See accompanying notes to the basic financial statements

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**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Martins Ferry City School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State Statute and/or federal guidelines.

The School District was established in 1853 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 12 square miles. It is located in Belmont County and includes all the city of Martins Ferry and portions of Pease and Colerain Townships. It is staffed by 55 non-certified employees, 101 certified full-time teaching personnel and 9 administrative employees, who provide services to 1,466 students and other community members. The School District currently operates 2 instructional/support buildings, 1 administrative building, and 1 bus garage facility.

*Reporting Entity:*

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

*Parochial Schools* – Within the School District boundaries, St. Mary’s Central Elementary School is operated through the Steubenville Catholic Diocese; Martins Ferry Christian School is operated as a private school. Current State legislation provides funding to these parochial schools. These monies are received and distributed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School Districts is reflected in a special revenue fund for financial reporting purposes.

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 for which the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The School District has no component units.

The School District participates in the Belmont-Harrison Vocational School District, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Metropolitan Educational Council (MEC), the Coalition of Rural and Appalachian Schools (CORAS) which are jointly governed organizations, the Better Business Bureau of Central Ohio Incorporated Workers’ Compensation Group Retrospective Rating Program (GRRP) and the Ohio School Plan (OSP), which are defined as an insurance purchasing pool. These organizations are presented in Notes 15 and 16.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**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 most significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

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

***Government-wide Financial Statements*** The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

***Fund Financial Statements*** During the 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.

**B. 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. There are 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 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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

**Schoolwide Pool Fund** – The Schoolwide Pool Fund is used to account for all financial resources required to operate the elementary school. The No Child Left Behind Act of 2001 provided the authority to pool all federal state and local funds necessary to upgrade the instructional program of school buildings where forty percent or greater of the student are from low-income families. The fund is utilized to pay all costs associated with operating the elementary school.

**Debt Service Fund** The Debt Service Fund accounts for and reports property tax revenues restricted for the payment of, general long-term debt principal and interest.

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

**Fiduciary Fund Types** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. 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 and assets held by the School District as an agent for outside activities.

### **C. 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 Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net position.

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

### **D. Basis of Accounting**

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

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 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 the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

**Deferred Outflows/Inflows of Resources** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**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.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Following Ohio Statutes, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Three dollars of interest revenue was credited to the General Fund during fiscal year 2014.

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 and cash equivalents. During fiscal year 2014, the School District had no investments.

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash restricted for insurance premiums related to the underground storage tank.

**G. Prepaid Items**

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

**H. Inventory**

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

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating 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 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.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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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:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Land Improvements	5 - 50 Years
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5-20 Years
Vehicles	5 - 20 Years

**J. 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 on the Statement of Net Position.

**K. 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 vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

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

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured severance payable” in the fund from which the employee will be paid.

**L. Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and compensated absences that are 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 year. Bonds and loans are recognized as a liability on the governmental fund financial statements when due.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**M. Bond Discounts, Bond Premiums, and Bond Issuance Costs**

On the government wide financial statements, bond insurance premiums, bond premiums and bond discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

On the governmental fund financial statements bond insurance premiums, bond premiums, bond discounts and bond issuance costs are recognized in the period in which the bonds are issued. Bond issuance costs are expensed in in the funds in the period the bonds are issued.

**N. Deferred Charge on Refunding**

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

**O. Interfund Activity**

Transfers within government activities on the government-wide financial statements are reported in the same manner as general revenue.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**P. Fund Balance**

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

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

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

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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 the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Board of Education to assign fund balances for purchases on order provided such amounts have been lawfully appropriated.

**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.

### **Q. Net Position**

Net position represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources from local sources restricted to expenditures for student programs and underground storage tank deductibles. Of the restricted net position none has resulted from enabling legislation.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

**R. Extraordinary and Special Items**

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

**S. Estimates**

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

**T. 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 of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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 budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect when the final appropriations were passed by the Board.

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

**NOTE 3 - 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 presented for the General and Schoolwide Pool Special Revenue Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Transfers in and transfers out that are balance sheet transactions (GAAP) as opposed to operating transfers (Budget), as well as the reclassification of revenue that is required to be transferred on a cash (budget basis), but is reported as revenue on the operating statement (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and the Schoolwide Pool Special Revenue Fund.

Net Change in Fund Balance		
	General	Schoolwide Pool
GAAP Basis	\$769,346	\$0
Revenue Accruals	10,688	(522,214)
Transfer In	0	549,201
Expenditure Accruals	(26,111)	(64,372)
Transfers Out	(29,410)	0
Encumbrances	(9,407)	0
Budget Basis	\$715,106	(\$37,385)

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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;

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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) above;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

#### Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the School District's bank balance was \$3,611,935. Of the bank balance, \$299,984 was covered by Federal Depository Insurance and the remaining balance of \$3,311,951 was covered by pooled collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

#### **NOTE 5 - PROPERTY TAXES**

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

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

The School District receives property taxes from Belmont 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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2014, was \$135,501 in the General Fund, \$35,872 in the Debt Service Fund, \$2,010 in the Classroom Maintenance Special Revenue Fund, and \$6,029 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2013, was \$124,252 in the General Fund, \$32,434 in the Debt Service Fund, \$1,843 in the Classroom Maintenance Special Revenue Fund, and \$5,529 in the Permanent Improvement Capital Projects Fund.

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

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

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$113,684,590	94.4%	\$113,062,700	94.1%
Public Utility Personal	6,788,720	5.6%	7,107,540	5.9%
	<u>\$120,473,310</u>	<u>100.0%</u>	<u>\$120,170,240</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation		\$41.64		\$41.64

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2014, consisted of property taxes, interfund, intergovernmental grants, and tuition and fees. 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. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$506,612 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
Medicaid Reimbursement	\$3,507
Title I Grant	8,088
Excess Costs from Other School Districts	43,020
Total Intergovernmental Receivables	<u><u>\$54,615</u></u>

**NOTE 7 - INTERNAL BALANCES AND TRANSFERS**

**A. Interfund Balances**

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

<u>Interfund Payable</u>	<u>Interfund Receivable</u>		<u>Total</u>
	<u>General Fund</u>	<u>Schoolwide Pool Fund</u>	
General Fund	\$0	\$247,100	\$247,100
Schoolwide Pool Fund	37,385	0	37,385
Other Nonmajor			
Governmental Funds	0	35,147	35,147
Total	<u><u>\$37,385</u></u>	<u><u>\$282,247</u></u>	<u><u>\$319,632</u></u>

The balance due to the Schoolwide Pool Special Revenue Fund from the General and Other Governmental Funds are for costs associated with the operation of the elementary school in accordance with the schoolwide program that will be transferred as cash is needed to fund the program.

**B. Transfers**

<u>Transfer to</u>	<u>Transfer from</u>
	<u>General Fund</u>
Schoolwide Pool Special Revenue Fund	\$1,721,218
Other Nonmajor Governmental Funds	2,000
Total	<u><u>\$1,723,218</u></u>

Transfers were used to move receipts from the General Fund to the Schoolwide Pool Special Revenue Fund in accordance with the schoolwide program. The General Fund also made transfers to Other Nonmajor Governmental Funds to provide the School District's local match for grant funding.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**NOTE 8 - CAPITAL ASSETS**

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

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
<b>Nondepreciable Capital Assets:</b>				
Land	\$2,436,556	\$0	\$0	\$2,436,556
<b>Total Nondepreciable Capital Assets</b>	<b>2,436,556</b>	<b>0</b>	<b>0</b>	<b>2,436,556</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	4,040,926	0	(15,476)	4,025,450
Buildings and Improvements	38,688,340	0	0	38,688,340
Furniture and Equipment	2,080,799	12,272	(10,153)	2,082,918
Vehicles	1,059,812	0	(26,962)	1,032,850
<b>Total Depreciable Capital Assets</b>	<b>45,869,877</b>	<b>12,272</b>	<b>(52,591)</b>	<b>45,829,558</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	(1,131,374)	(206,208)	15,476	(1,322,106)
Buildings and Improvements	(5,712,702)	(1,016,959)	0	(6,729,661)
Furniture and Equipment	(1,521,534)	(126,661)	10,153	(1,638,042)
Vehicles	(805,759)	(52,246)	26,962	(831,043)
<b>Total Accumulated Depreciation</b>	<b>(9,171,369)</b>	<b>(1,402,074)</b>	<b>52,591</b>	<b>(10,520,852)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>36,698,508</b>	<b>(1,389,802)</b>	<b>0</b>	<b>35,308,706</b>
<b>Governmental Capital Assets, Net</b>	<b>\$39,135,064</b>	<b>(\$1,389,802)</b>	<b>\$0</b>	<b>\$37,745,262</b>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$589,194
Special	131,221
Vocational	7,392
<b>Support Services:</b>	
Pupil	19,683
Instructional Staff	65,610
Administration	103,585
Fiscal	13,122
Operation and Maintenance of Plant	161,033
Pupil Transportation	100,832
Food Service Operations	121,503
Operation of Non-Instructional Services	0
Extracurricular Activities	88,899
<b>Total Depreciation Expense</b>	<b>\$1,402,074</b>

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 9 - RISK MANAGEMENT**

**A. Property, Fleet and Liability Insurance**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 16). The School District contracted with the Ohio School Plan for liability, property, and fleet insurance. Coverage provided follows:

*Property:*

Building and Contents - replacement cost (\$1,000 Deductible)	\$47,165,308
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*Commercial Auto Coverage:*

Auto Liability-Combined Single Limit	3,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000
Comprehensive	1,000 deductible
Collision	1,000 deductible

*Commercial Crime:*

Employee Theft - Per Employee (\$1,000 Deductible)	25,000
Forgery or Alteration - Per Occurance (\$1,000 Deductible)	25,000
Inside / Outside the Premises - Theft (\$1,000 Deductible)	10,000

*Educational General Liability:*

Bodily Injury and Property Damage - Each Occurrence and Sexual Abuse Injury Limit - Each Sexual Abuse Offense	\$3,000,000
Personal and Advertising Injury - Each Offense Limit	3,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Each Accident Limit	10,000
General Aggregate Limit	5,000,000
Products-Completed Operations Aggregate Limit	3,000,000

*Employers Liability - Stop Gap - Occurrence:*

Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000

*Employee Benefits Liability - Claims Made:*

Each Offense Limit	3,000,000
Aggregate Limit	5,000,000

*Educational Legal Liability - Claims Made:*

Errors and Omissions Injury Limit (\$2,500 Deductible)	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000
Employment Practices Injury Limit (\$2,500 Deductible)	3,000,000
Employment Practices Injury Aggregate Limit	5,000,000

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**B. Flood Insurance**

The School District contracted with Selective Insurance Company of America for flood coverage. The School District's flood insurance includes \$238,900 on buildings and \$16,300 on contents at the football facility.

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

**C. Worker's Compensation**

The School District participates in the Better Business Bureau of Central Ohio Incorporated Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance purchasing pool (Note 16). The intent of the GRRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP rather than its individual rate. Participation in the GRRP is limited to members that can meet the GRRP's selection criteria. The firm of Sheakley provides administrative, cost control, and actuarial services to the GRRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. 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](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$197,242, \$186,183, and \$171,653, respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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.

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

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

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$781,071 and \$9,988 for the fiscal year ended June 30, 2014, \$784,107 and \$7,921 for the fiscal year ended June 30, 2013, and \$714,606 and \$7,218 for the fiscal year ended June 30, 2012. For fiscal year 2014, 80.01 percent has been contributed for the DB plan and 80.01 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$402 made by the School District and \$316 made by the plan members. In addition, member contributions of \$7,847 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, no members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$35,748 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,108, \$2,274, and \$7,434, respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$11,443, \$10,517, and \$10,137 respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**B. State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://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 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$58,563, \$55,139, and \$53,070 respectively. For fiscal year 2014, 80.01 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave up to maximum of 52 days for non-certificated employees and 55 days for the certified employees.

**B. Health/Life Insurance**

The School District provides medical, health, and prescription drug coverage for all eligible employees through the Health Plan and Health Assurance. The Health Plan is at a premium rate of \$1,703.24 for a family plan and \$681.29 for a single plan. The Health Assurance is at a premium rate of \$1,630.85 for a family plan and \$652.21 for a single plan. The Board pays 95 percent of the premiums for certified employees for either of these health insurance options. The Board pays 95 percent of the premiums for non-certified employees who work 35 to 40 hours per week. Employees who work less than a 35 hour work week, receive a benefit where, the Board's share of the premium is calculated on a declining scale. The School District also provides dental and life insurance and accidental death and dismemberment insurance to all employees through Coresource which is 100 percent paid by the Board for the certified employees and on a declining scale paid by the Board for the non-certificated employees at a premium of \$66.01 and \$6.00 respectively. Life insurance is provided in the amount of \$50,000 for superintendent, \$50,000 for the treasurer, \$25,000 for certified and administrative employees and \$20,000 for the classified employees. The Board pays 100 percent of the monthly premium of \$6 for certified and administrative employees and 100 percent of the monthly premium of \$4.80 for non-certified employees. Vision insurance is provided through Vision Benefits of America and the Board pays 100 percent of the \$9.79 premium for those on the single plan and \$27.19 for the family plan.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**C. Retirement Incentive**

Per the provision in the agreement between the Martins Ferry City School District Board of Education and the Martins Ferry Education Association, the Martins Ferry City School District Board of Education will provide a retirement incentive of \$1,000 times each year of Martins Ferry City School service (not to exceed \$13,000) to any teaching employee who is eligible for full retirement under any of Ohio's public employee retirement systems, provided the conditions stated in the agreement on file with the School District are met. The School District had \$12,990 outstanding in retirement incentives payable that are scheduled to be repaid through 2016.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2005, the School District entered into a capital lease to finance the construction of a new grandstand facility at the stadium. The lease arrangements are through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority as the lesser. During fiscal year 2008, the School District entered into two additional capital leases through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority to finance additional project costs associated with the classroom facilities project. Prior to fiscal year 2014, the School District also entered into capital leases for copiers, and a school bus.

The assets acquired by the leases have been capitalized in government wide statements governmental activities as land, buildings and improvements, and furniture, fixtures and equipment in the amount of \$4,599,093, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities for the total value of the lease. Governmental activities assets are reflected net of accumulated depreciation, in the amount of \$3,454,313. Principal payments in fiscal year 2014 totaled \$211,171 in the governmental funds.

Future minimum lease payments through 2032 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total</u>
2015	\$225,233	\$155,715	\$380,948
2016	232,537	144,888	377,425
2017	172,487	135,260	307,747
2018	177,785	127,688	305,473
2019	195,836	119,667	315,503
2020-2024	793,498	476,572	1,270,070
2025-2029	870,980	280,465	1,151,445
2030-2032	398,162	39,917	438,079
Total	<u>\$3,066,518</u>	<u>\$1,480,172</u>	<u>\$4,546,690</u>

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**NOTE 14 - LONG - TERM OBLIGATIONS**

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

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts Due In One Year
<b>2005 School Construction and Improvement General Obligation Bonds</b>					
Serial Bonds, \$4,940,000 @ 3.0%-4.55%	\$645,000	\$0	\$210,000	\$435,000	\$215,000
Term Bonds, \$5,580,000 @ 5.0%	105,000	0	0	105,000	0
Premium, \$355,273	40,020	0	10,005	30,015	0
<b>Total 2005 Bonds</b>	<b>790,020</b>	<b>0</b>	<b>220,005</b>	<b>570,015</b>	<b>215,000</b>
<b>2012 Refunding Bonds</b>					
Serial Bonds, \$8,190,000 @ 1.0%-4.0% Capital Appreciation	7,935,000	0	160,000	7,775,000	165,000
Bond, \$294,992 @ 6.828%-20.854%	294,992	0	0	294,992	0
CAB Accretion, \$2,020,008	106,857	129,279	0	236,136	0
Premium, \$1,589,927	1,514,416	0	75,711	1,438,705	0
Discount, \$79,106	(75,339)	0	(3,767)	(71,572)	0
<b>Total 2012 Bonds</b>	<b>9,775,926</b>	<b>129,279</b>	<b>231,944</b>	<b>9,673,261</b>	<b>165,000</b>
<b>Total Bonds</b>	<b>10,565,946</b>	<b>129,279</b>	<b>451,949</b>	<b>10,243,276</b>	<b>380,000</b>
Capital Leases	3,277,689	0	211,171	3,066,518	225,233
Compensated Absences	832,987	473,550	488,997	817,540	68,966
<b>Total General Long-Term Obligations</b>	<b>\$14,676,622</b>	<b>\$602,829</b>	<b>\$1,152,117</b>	<b>\$14,127,334</b>	<b>\$674,199</b>

*2005 School Construction and Improvement General Obligation Bonds* - On March 31, 2005, the School District issued \$10,520,000 in voted general obligation bonds which included serial and term bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program (approximately 86% of the total of the bonds), as well as a portion of the project that will not be covered under the Classroom Facilities Assistance Program that is the Local Fund Initiative (approximately 14% of the total of the bonds). The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2032. During fiscal year 2012, the School District refunded \$8,485,000 of the serial and term bonds. The refunding resulted in an in-substance defeasance, and the refunded portion of the bonds were removed from the financial statements of the School District. The remaining outstanding serial and term bonds are being retired from the debt service fund. The premium that remained following the refunding amounted to \$50,025. This amount is being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method.

In connection with the passage of the bond issue, the School District earmarked a half-mill of the existing permanent improvement levy for the maintenance of the new building.

The term bonds that mature December 1, 2016 are subject to mandatory sinking fund redemption at a price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2016.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

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Principal and interest requirements to retire the remaining general obligation bonds for the 2005 School Construction and Improvement bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$215,000	\$22,650	\$237,650
2016	220,000	14,050	234,050
2017	105,000	2,665	107,665
Total	<u>\$540,000</u>	<u>\$39,365</u>	<u>\$579,365</u>

*2012 General Obligation Refunding Bonds* – On April 19, 2012, Martins Ferry City School District issued \$8,484,992 of general obligation bonds. The bonds were issued to refund \$8,485,000 of outstanding 2005 School Construction and Improvement General Obligation Serial and Term Bonds. The bonds were issued for a 21 year period with final maturity at December 1, 2032. At the date of refunding, \$9,829,973 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2005 School Construction and Improvement General Obligation Serial and Term Bonds. The refunded bonds are scheduled to be fully called and repaid by June 1, 2015, through the escrow account. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$1,131,713. This difference, reported in the accompanying financial statements as a deferred outflow of resources – deferred charge on refunding, and amortized over the life of the refunded bonds, through June 1, 2015, using the straight-line method. The amortization of this difference for fiscal year 2014 was \$301,790, leaving a balance of \$603,580.

These refunding bonds were issued with a premium of \$1,589,927, and a discount of \$79,106. These amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method.

The 2012 bond issue consists of serial and capital appreciation bonds, \$8,190,000 and \$294,992, respectively.

The capital appreciation bonds for this issue mature December 1, 2017 through December 1, 2021. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$2,315,000. The accretion recorded for fiscal year 2014 is \$129,279 for a total bond liability of \$531,128. The accretion will continue to be recorded over the life of the bonds.

As part of the refunding bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of Aa2 from Moody’s Investors Service for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

Principal and interest requirements to retire general obligation bonds for the 2012 Refunding Bonds outstanding at June 30, 2014 are as follows:

Fiscal Year	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2015	\$165,000	\$241,470	\$0	\$0	\$165,000	\$241,470
2016	165,000	238,995	0	0	165,000	238,995
2017	330,000	236,520	0	0	330,000	236,520
2018	0	231,570	92,800	352,200	92,800	583,770
2019	0	231,570	70,199	374,801	70,199	606,371
2020-2024	1,035,000	1,144,462	131,993	1,293,007	1,166,993	2,437,469
2025-2029	3,035,000	845,193	0	0	3,035,000	845,193
2030-2033	3,045,000	287,396	0	0	3,045,000	287,396
<b>Totals</b>	<b>\$7,775,000</b>	<b>\$3,457,176</b>	<b>\$294,992</b>	<b>\$2,020,008</b>	<b>\$8,069,992</b>	<b>\$5,477,184</b>

The School District's overall legal debt margin was \$3,195,184, with an unvoted debt margin of \$120,170, at June 30, 2014. Although the School District's overall legal debt margin was \$3,195,184 at June 30, 2014 it was higher at the point of debt issuance due to the revision of the calculation per House Bill 530, which became effective March 30, 2006. The legislation provided for the exclusion of valuations of tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations in the legal debt margin calculation. The School District issued the general obligation bonds prior to the revised legislation.

The capital leases will be repaid from the General Fund and Permanent Improvement Capital Projects Fund. Compensated absences will be paid from the General Fund.

*Defeased Debt* – As of June 30, 2014, \$8,105,000 of the refunded bonds remain outstanding and are considered defeased, and the escrow account has a balance of \$8,865,483 which will provide for the future debt service of the defeased bonds.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*Belmont-Harrison Vocational School District* – The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2014, the School District made no contributions to the Belmont-Harrison Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)* – The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2014, the total amount paid to OME-RESA from the School District was \$750 for cooperative gas purchasing service administrative fees, \$9,803 for technology services and \$30,588 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*Metropolitan Educational Council (MEC)* - The Metropolitan Educational Council is a consortium of school districts and related agencies in Ohio. The organization is composed of over 187 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. No membership payment to MEC was paid by the School District during fiscal year 2014. Financial information may be obtained from the Metropolitan Educational Council, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio 43232.

*Coalition of Rural and Appalachian Schools (CORAS)* – The Coalition of Rural and Appalachian Schools is a jointly governed organization including 136 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2014.

**NOTE 16 - INSURANCE PURCHASING POOL**

*Better Business Bureau of Central Ohio Incorporated Workers' Compensation Group Retrospective Rating Program (GERP)* – The School District participates in the Better Business Bureau of Central Ohio Incorporated Workers' Compensation Group Rating Program, a group rating plan for workers' compensation as established under Rule Section 4123-17-73 of the Ohio Administrative Code. The GRRP is an insurance purchasing pool established through the Better Business Bureau of Ohio, Incorporated. The Program's business and affairs are conducted by the President and CEO of the Better Business Bureau. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the program. The School District's enrollment fee of \$1,260 for policy year 2014 was paid to Sheakley UniService, Inc.

*Ohio School Plan (OSP)* – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Hylant Administrative Services and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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Hylant Administrative Service is the sales and marketing representative, which establishes agreements between OSP and member schools.

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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 purchase of the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Pursuant to State Statute, the Board of Education expended all of the amounts previously set-aside for the budget reserve.

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	246,862
Current Year Qualifying Expenditures	(113,863)
Current Year "Offsets"	(245,837)
Totals	(\$112,838)
Balance Carried Forward to Fiscal Year 2015	\$0
Set-aside Restricted Balance as of June 30, 2014	\$0

The School District had offsets and qualifying expenditures during the current fiscal year that reduced the set-aside amount for capital improvements to below zero. This excess may not be carried forward to offset future year set-aside requirements. The School District also has prior year capital expenditures paid from debt proceeds in connection with a school facilities project and an energy conservation project that may be carried forward to offset future set-aside requirements.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

**Martins Ferry City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**B. Oil/Gas Leases**

*XTO Energy, Inc.* – The Board of Education has entered into two “Paid-Up” Oil and Gas Leases with XTO Energy, Inc. The first lease is for 58.526 acres of property owned by the Martins Ferry Board of Education, and is effective December 23, 2011, for a five year period. In consideration of the execution of the first lease, the School District received a signing bonus in the amount of \$289,704 during fiscal year 2013. The second lease is for 59.208 acres of property which is subject to a land lease agreement between the Board of Education and Ayers Limestone Quarry, Inc., and is effective March 26, 2012, for a period of five years. In consideration of the execution of the second lease, the School District received a signing bonus in the amount of \$293,080 during fiscal year 2012. The leases call for payments to the School District, in addition to the bonus, royalties in the amount of 19 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

*Hess Ohio Development LLC* – The Board of Education has entered into a “Paid-Up” Oil and Gas Lease with Hess Ohio Development LLC. The lease is for 0.4 acres of property owned by the Martins Ferry Board of Education, and is effective February 12, 2013, for a five year period. In consideration of the execution of the third lease, the School District received a signing bonus in the amount of \$2,080 during fiscal year 2014. The third lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 18.75 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

The total carrying value of the land leased is \$2,378,844.

**C. Litigation**

The School District is not currently party to pending litigation.

**NOTE 19 - SUBSEQUENT EVENTS**

**A. Grants**

For fiscal year 2015, the School District is part of a twenty-seven member consortium, led by Noble Local School District, that has been awarded Straight A grant funding from the Ohio Department of Education. The project aims to save money for the participating school districts by creating a shared services transportation consortium. The project has been awarded \$1,763,900, and has total projected cost savings of \$3,988,138.

**B. Labor Negotiations**

As of the date of the Financial Statements, the School District is still in contract negotiations with the classified staff represented by the Ohio Association of Public School Employees. The classified staff is currently working under an extension of the previous contract which expired on December 31, 2011.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

<b>FEDERAL GRANTOR/ Pass-Through Grantor Program Title</b>	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program - Food Donation	N/A	10.555	\$33,649	\$33,649
Cash Assistance:				
School Breakfast Program	044347-05PU-14	10.553	147,261	147,261
National School Lunch Program	044347-LLP4-14	10.555	265,393	265,393
Cash Assistance Sub Total			<u>412,654</u>	<u>412,654</u>
Total Child Nutrition Cluster			<u>446,303</u>	<u>446,303</u>
Total U.S. Department of Agriculture			446,303	446,303
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	044347-C1S1-13 044347-C1S1-14	84.010	207,987 555,615	36,121 509,699
Total Title I Grants to Local Educational Agencies			<u>763,602</u>	<u>545,820</u>
Special Education Cluster (IDEA):				
Special Education, Grants to States (IDEA, Part B)	044347-6BSF-14	84.027	336,874	306,074
Special Education - Preschool Grants (IDEA, Preschool)	044347-TJS1-14	84.173	<u>7,527</u>	<u>7,527</u>
Total Special Education Cluster (IDEA)			344,401	313,601
Improving Teacher Quality State Grants	044347-TRS1-13 044347-TRS1-14	84.367	50,143 94,229	7,260 85,528
Total Improving Teacher Quality State Grants			<u>144,372</u>	<u>92,788</u>
ARRA - Race to the Top Fund, Recovery Act Ohio Resident Educator Program	044347-14	84.395	<u>2,450</u>	<u>2,450</u>
Total U.S. Department of Education			<u>1,254,825</u>	<u>954,659</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$1,701,128</u></b>	<b><u>\$1,400,962</u></b>

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Martins Ferry City School District  
Belmont County  
5001 Ayers Limestone Road  
Martins Ferry, Ohio 43935

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Martins Ferry City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 6, 2015.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control. We consider finding 2014-002 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed 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 2014-001.

***Entity's Response to Findings***

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 6, 2015



# Dave Yost • Auditor of State

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

Martins Ferry City School District  
Belmont County  
5001 Ayers Limestone Road  
Martins Ferry, Ohio 43935

To the Board of Education:

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

We have audited the Martins Ferry City School District's, Belmont County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

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

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

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

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

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

***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies***

As described in finding 2014-003 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding cash management applicable to its Title I Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

***Qualified Opinion on Title I Grants to Local Educational Agencies***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to Local Educational Agencies for the year ended June 30, 2014.

***Opinion on the Other Major Federal Program***

In our opinion, the School District complied, in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended June 30, 2014.

The School District's response to our noncompliance finding is described in the accompanying Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

***Report on Internal Control Over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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

We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2014-003 to be a material weakness.

The School District's response to our internal control over compliance finding is described in the accompanying Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 6, 2015

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**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b> <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies – Qualified</li> <li>• Special Education Cluster (IDEA) – Unmodified</li> </ul>	
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Special Education Cluster (IDEA), CFDA #84.027 and #84.173</li> <li>• Title I Grants to Local Educational Agencies, CFDA #84.010</li> </ul>	
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type AIB Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2014-001**

**Noncompliance**

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund was established. As a result, a deficit fund balance indicates that money from one fund was used to cover the expenses of another fund.

The School District had deficit cash fund balances in the following months for the following funds:

- At June 30, 2014, Schoolwide Pool Fund in the amount of \$37,385.
- At April 30, 2014, Preschool State Grant, Special Education IDEA-B, Title I, and Schoolwide Pool Funds in the amounts of \$12,000, \$32,633, \$6,996, and \$178,077, respectively.
- At December 31, 2013, Preschool State Grant, Special Education IDEA-B, Title I, Improving Teacher Quality and Schoolwide Pool Funds in the amounts of \$24,000, \$50,947, \$54,344, \$7,107, and \$178,655, respectively.
- At August 31, 2013, Preschool State Grant, Special Education IDEA-B, and Schoolwide Pool Funds in the amounts of \$13,972, \$15,209, and \$381,133, respectively.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2014-001 (Continued)**

**Noncompliance – Ohio Rev. Code § 5705.10(I) (Continued)**

Ohio Rev. Code § 3315.20 provides an allowable exception for school districts. A school district may have a deficit in any special fund of the district but only if both of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit and there is a reasonable likelihood that the payment will be made; and,
- The unspent and unencumbered balance in the district's general fund is greater than the aggregate of deficit amounts in all of the district's special funds.

When applying the exceptions of Ohio Rev. Code § 3315.20, the School District could not satisfy the conditions necessary to allow a deficit.

We recommend the School District Treasurer monitor fund balances to properly ensure that monies from one fund are not utilized to pay the obligations of another fund. To cover temporary cash flow shortages, the School District may be able to advance money from other funds. The School District may refer to Auditor of State Bulletin 97-003 to determine if an advance of funds to prevent a deficit cash balance would be appropriate.

**Official's Response:** Since the Schoolwide Pool, Title I, VIB, and IIA are all integrated into the Comprehensive Continuous Improvement Plan (CCIP) and the budgets are salaries, benefits and mandatory set asides, at month end Project Cash Requests (PCR) are generated to cover the negative amounts in the accounts. These PCRs are computer calculated based upon the expenditures fiscal year to date. I don't input the amounts requested. Since they are salaries (which vary monthly) and benefits, the expenditures cannot be calculated until month end when payrolls and health benefits are fully paid for the month. Then the PCRs are generated for the exact amount and transfers are made to the Schoolwide Pool. There are occasions when PCRs are locked out, such as when budget changes are made by the federal programs coordinator and the approvals by ODE are not yet generated. At those specific times nothing can be done until ODE approves the budget changes.

**Finding Number 2014-002**

**Significant Deficiency – Budgetary Posting**

The School District should establish internal controls to reasonably assure that the budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on remaining uncommitted appropriation balances.

The School District Treasurer did not timely post appropriation resolution/amendments to the accounting system. On April 14, 2014, the Board of Education approved supplemental appropriations in the amount of \$730,000 to the General Fund which was not posted to the accounting system until June 30, 2014.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2014-002 (Continued)**

**Significant Deficiency – Budgetary Posting (Continued)**

We recommend the School District Treasurer post supplemental appropriations to the accounting system in a timely manner to ensure the Board of Education has accurate information from which to make sound financial decisions.

**Official’s Response:** I (the Treasurer) have spreadsheets that I update and keep current for monitoring purposes, but I need to update the accounting system as well. With the additional assistant being added to my office staff, I plan on becoming current with such issues.

<b>3. FINDING FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2014-003
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies, CFDA #84.010
<b>Federal Award Number / Year</b>	044347-C1S1-14
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Cash Management**

34 C.F.R. 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 C.F.R 80.20(b)(7) states, in part, that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 C.F.R. 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. Ohio Department of Education Project Cash Request Instructions state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the “Cash Management Act” 31 C.F.R. part 205, the time lapse between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds MUST be expended within the period of time for which cash is requested.

MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014  
(Continued)

3. FINDING FOR FEDERAL AWARDS (Continued)

Finding Number 2014-003 (Continued)

**Noncompliance and Material Weakness – Cash Management (Continued)**

Funds requested for the Title I Grant program were not spent within the period of time for which the cash was requested in the following month:

<u>Month</u>	<u>Amount Requested</u>	<u>Amount Expended</u>	<u>Amount Not Spent by Month End</u>
June, 2014	\$130,405	\$84,489	\$45,916

The excess of \$45,916 was not fully spent until July 31, 2014.

The School District should take steps to minimize the time elapsing between the receipt and disbursement of grant funds. The School District Treasurer should review the process for requesting federal funds to ensure monies are disbursed within the month of receipt.

**Official's Response:** See Corrective Action Plan on page 63.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code § 5705.41(B) - expenditures exceeded appropriations in the Schoolwide Pool Fund.	Yes	N/A.
2013-002	Significant Deficiency - budgetary postings not always accurately and timely posted to the accounting system.	No	Not Corrected; Re-issued as Finding No. 2014-002.
2013-003	34 C.F.R. 80.20 (b)(7) - did not always minimize time lapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantee.	No	Not Corrected; Re-issued as Finding No. 2014-003.
2013-004	Final Expenditure Report for the Improving Teacher Quality Grant did not always agree to accounting records.	Yes	N/A.
2013-005	ESEA, Title I, Section 1118, Part A(1) - did not adhere to the Earmarking requirements in the Title I Grant.	Yes	N/A.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-003	<p>The Title I Grant had a negative balance on June 26, 2013. I entered a PCR with no advance amount requested. ODE sent the balance of the grant which made the account positive for months ending July and August, 2013. Commencing September, 2013 Title I had a negative balance at month end which triggered a PCR on my part. In June of 2014 the same thing happened. Schoolwide Pool transfer amounts are computer generated based upon expenditures not by specific amounts requested. At fiscal year end, the balance is sent to be spent prior to September. I will request only my negative balance and an encumbrance that I am sure will be expended prior to the end of the subsequent month.</p>	June 30, 2015	Karen Blake, Treasurer



# Dave Yost • Auditor of State

**MARTINS FERRY CITY SCHOOL DISTRICT**

**BELMONT 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 24, 2015**