

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010*

**KRISTEN RHOADS, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Circleville City School District  
388 Clark Drive  
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of the Circleville City School District, Pickaway County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Circleville City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 24, 2011

**This Page is Intentionally Left Blank.**

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**TABLE OF CONTENTS**

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	19
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund .....	20
Statement of Cash Flows - Proprietary Fund.....	21
Statement of Fiduciary Net Assets - Fiduciary Funds .....	22
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	23
Notes to the Basic Financial Statements.....	24 - 53
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	54 - 55
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	56 - 57
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> .....	58 - 59
Schedule of Findings <i>OMB Circular A-133 § .505</i> .....	60 - 61



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Circleville City School District  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Circleville City School District, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Circleville City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Circleville City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Circleville City School District, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010 on our consideration of the Circleville City 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Circleville City School District  
Page Two

We conducted our audit to opine on the financial statements that collectively comprise the Circleville City School District's basic financial statements. The schedule of receipts and expenditures of federal awards is required by 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 basic financial statements. We subjected the schedule of receipts and expenditures of federal awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the typed name and date.

Julian & Grube, Inc.  
December 17, 2010

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Circleville City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities increased \$200,800 which represents a 1.12% increase from 2009.
- General revenues accounted for \$21,296,359 in revenue or 81.29% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,901,706 or 18.71% of total revenues of \$26,198,065.
- The District had \$25,997,265 in expenses related to governmental activities; only \$4,901,706 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$21,296,359 were adequate to provide for these programs.
- The District's major fund is the general fund. The general fund had \$22,858,280 in revenues and other financing sources and \$22,232,690 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance increased \$625,590 from a balance of \$12,237,732 to a balance of \$12,863,322.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Fund**

**Fund Financial Statements**

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major fund is the general fund.

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**Proprietary Funds**

The District maintained one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounted for a self-insurance program for medical and dental benefits, however, the District was no longer self-insured effective July 1, 2009 so a residual equity transfer from the internal service fund to the general fund was made in fiscal year 2010. The basic proprietary fund financial statements can be found on pages 20-21 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-53 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2010 compared to fiscal year 2009.

	<b>Net Assets</b>	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 24,757,806	\$ 26,855,957
Capital assets, net	<u>5,910,063</u>	<u>4,855,130</u>
Total assets	<u>30,667,869</u>	<u>31,711,087</u>
<b><u>Liabilities</u></b>		
Current liabilities	10,243,191	10,555,462
Long-term liabilities	<u>2,332,661</u>	<u>3,264,408</u>
Total liabilities	<u>12,575,852</u>	<u>13,819,870</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of debt	5,425,258	4,223,934
Restricted	1,165,606	1,086,709
Unrestricted	<u>11,501,153</u>	<u>12,580,574</u>
Total net assets	<u>\$ 18,092,017</u>	<u>\$ 17,891,217</u>

Net assets increased \$200,800 or 1.12%, due to a decrease of \$931,747 in long term liabilities.

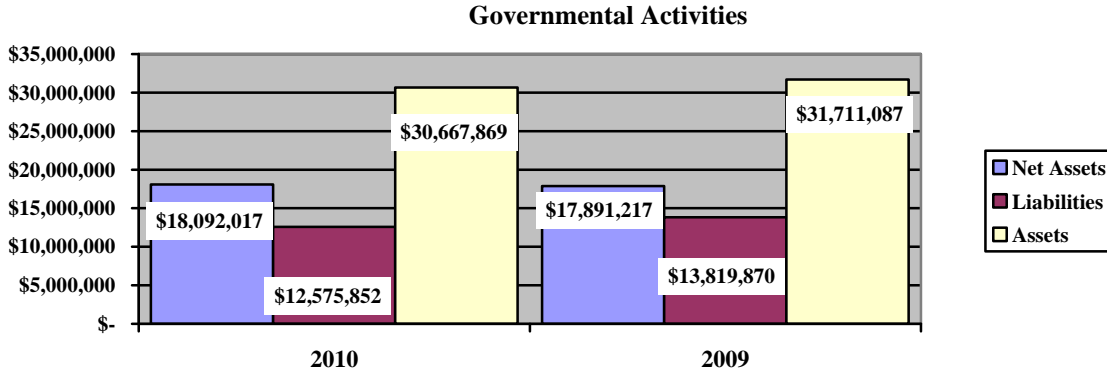
At year end, capital assets represented 19.27% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$5,425,258. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,165,606, represents resources that are subject to external restriction on how they may be used.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below shows the District's assets, liabilities and net assets at June 30, 2010 and 2009:



The table below shows the change in net assets for fiscal years 2010 and 2009.

	<b>Change in Net Assets</b>	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,090,684	\$ 980,009
Operating grants and contributions	3,811,022	4,781,255
Capital grants and contributions	-	13,148
General revenues:		
Property taxes	8,012,585	8,583,594
Revenue in lieu of taxes	56,200	173,020
School district income taxes	1,414,108	1,484,082
Grants and entitlements	11,611,798	9,829,471
Investment earnings	128,273	371,662
Other	73,395	134,937
Total revenues	<u>26,198,065</u>	<u>26,351,178</u>

- continued

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Governmental Activities	
	2010	2009
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 10,853,017	\$ 10,099,856
Special	2,975,585	2,649,915
Vocational	126,287	19,603
Other	106,691	389,651
Support services:		
Pupil	1,163,576	918,510
Instructional staff	3,407,089	2,770,672
Board of education	237,311	149,774
Administration	1,983,315	1,954,497
Fiscal	589,271	598,182
Operations and maintenance	2,032,696	2,074,640
Pupil transportation	778,927	675,354
Operation of non-instructional services:		
Other non-instructional services	96,906	118,277
Food service operations	1,093,329	1,010,857
Extracurricular activities	512,119	485,066
Interest and fiscal charges	41,146	48,866
	<u>25,997,265</u>	<u>23,963,720</u>
Changes in net assets	200,800	2,387,458
Net assets at beginning of year	<u>17,891,217</u>	<u>15,503,759</u>
Net assets at end of year	<u>\$ 18,092,017</u>	<u>\$ 17,891,217</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$200,800. Total governmental expenses of \$25,997,265 were offset by program revenues of \$4,901,706 and general revenues of \$21,296,359. Program revenues supported 18.85% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements not restricted to specific programs. These revenue sources represent 80.31% of total governmental revenue. Real estate property is reappraised every six years. The latest reappraisal by Pickaway County was in 2005. Although recent growth had a positive effect on the District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This State law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage", the tax rates applied to real property. Thus, although District tax valuation continues to grow, this built-in revenue limitation requires the District to request additional school operating revenue by placing a levy on the ballot periodically (every three to five years, on average).

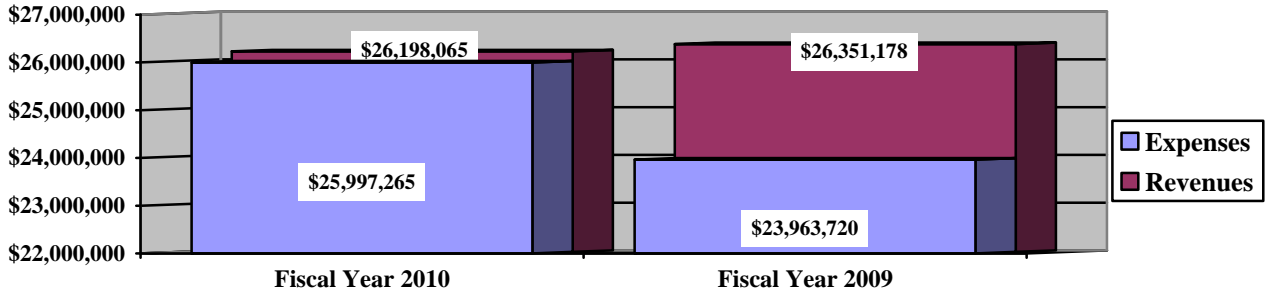
The District's financial condition improved in 2008 and 2009 due to the passage of two levies, the 7.9 mil operating property tax and 0.75% earned income tax levy.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

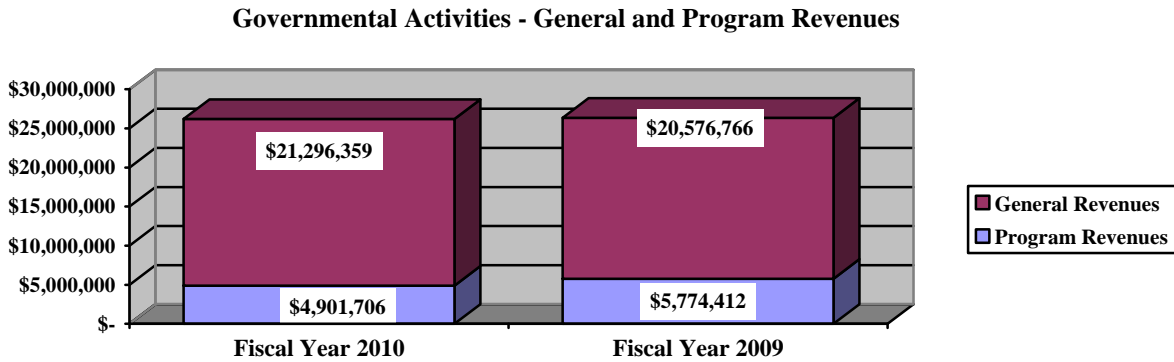
	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program expenses:				
Instruction:				
Regular	\$ 10,853,017	\$ 9,357,551	\$ 10,099,856	\$ 9,067,018
Special	2,975,585	2,517,442	2,649,915	1,075,318
Vocational	126,287	48,447	19,603	19,603
Other	106,691	106,691	389,651	148,989
Support services:				
Pupil	1,163,576	1,107,270	918,510	908,449
Instructional staff	3,407,089	2,162,850	2,770,672	1,470,238
Board of Education	237,311	237,311	149,774	149,774
Administration	1,983,315	1,765,437	1,954,497	1,666,409
Fiscal	589,271	589,271	598,182	598,182
Operations and maintenance	2,032,696	1,968,969	2,074,640	1,993,549
Pupil transportation	778,927	760,580	675,354	639,626
Operation of non-instructional services:				
Other non-instructional services	96,906	(5,596)	118,277	19,102
Food service operations	1,093,329	37,257	1,010,857	13,696
Extracurricular activities	512,119	400,933	485,066	370,489
Interest and fiscal charges	41,146	41,146	48,866	48,866
<b>Total expenses</b>	<b><u>\$ 25,997,265</u></b>	<b><u>\$ 21,095,559</u></b>	<b><u>\$ 23,963,720</u></b>	<b><u>\$ 18,189,308</u></b>

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax and other general revenues for governmental activities is apparent, 85.55% of instruction activities in fiscal year 2010 are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.15%. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$13,130,166 which is higher than last year's total of \$12,974,213. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	<u>Fund Balance June 30, 2010</u>	<u>Fund Balance June 30, 2009</u>	<u>Increase (Decrease)</u>
General	\$ 12,863,322	\$ 12,237,732	\$ 625,590
Other governmental	<u>266,844</u>	<u>736,481</u>	<u>(469,637)</u>
Total	<u>\$ 13,130,166</u>	<u>\$ 12,974,213</u>	<u>\$ 155,953</u>

**General Fund**

The District's general fund balance increased \$625,590. Tax revenue decreased from HB 66, which phases out the tax on tangible personal property of general businesses. The District is reimbursed for this lost revenue from the State, which is the primary reason intergovernmental revenues increased 10.73% from the prior year. This reimbursement will be phased out in calendar years 2011-2017. Earnings on investments decreased due to decreased interest rates. Other revenues decreased during the year due to a decrease in revenues related to school fees and tuition from other districts. Expenditures related to instruction increased during the year because the District hired additional staff to help with the needs of students and the District also granted employees a salary increase. The facilities acquisition and construction in 2010 relates to the purchase of land which the District will utilize when building new buildings under a project through the Ohio School Facilities Commission to build a new Pre-Kindergarten through 12th grade school campus.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,931,418	\$ 9,639,555	(7.35) %
Earnings on investments	132,053	386,338	(65.82) %
Intergovernmental	11,426,392	10,318,828	10.73 %
Other revenues	<u>658,598</u>	<u>665,259</u>	(1.00) %
Total	<u>\$ 21,148,461</u>	<u>\$ 21,009,980</u>	0.66 %
<b><u>Expenditures</u></b>			
Instruction	\$ 12,200,272	\$ 11,362,229	7.38 %
Support services	8,411,895	7,202,465	16.79 %
Extracurricular activities	380,784	353,926	7.59 %
Operation of non-instructional services	522	-	100.00 %
Facilities acquisition and construction	1,177,754	-	100.00 %
Debt service	<u>31,463</u>	<u>30,729</u>	2.39 %
Total	<u>\$ 22,202,690</u>	<u>\$ 18,949,349</u>	17.17 %

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2010, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$23,087,718, which was lower than the original budgeted revenues estimate of \$23,300,678. Actual revenues for fiscal year 2010 were \$23,106,380. This represents a \$194,298 decrease under original revenues.

General fund original appropriations and other financing uses of \$22,549,339 were increased to \$23,588,752 in the final appropriations. The actual budget basis expenditures for fiscal year 2010 totaled \$23,453,892, which was \$134,860 less than the final budget appropriations. The decrease in actual expenditures over budgeted is due to salary and benefit costs proving to be lower than anticipated in the final budget.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2010, the District had \$5,910,063 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following table shows fiscal year 2010 balances compared to 2009:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 1,378,392	\$ 200,638
Land improvements	33,019	47,032
Building and improvements	3,053,175	3,213,966
Furniture and equipment	1,018,538	1,108,847
Vehicles	<u>426,939</u>	<u>284,647</u>
<b>Total</b>	<b><u>\$ 5,910,063</u></b>	<b><u>\$ 4,855,130</u></b>

The overall increase in capital assets is due to capital outlays of \$1,538,277 exceeding depreciation expense of \$477,620 and disposals (net of accumulated depreciation) of \$5,724 in the current period.

See Note 9 to the basic financial statements for detail.

**Debt Administration**

At June 30, 2010, the District had \$484,805 in a lease purchase agreement and \$318,000 in energy conservation notes outstanding. Of this total, \$172,747 is due within one year and \$630,058 is due within greater than one year. The following table summarizes the liabilities outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental Activities	Governmental Activities
	<u>2010</u>	<u>2009</u>
Lease purchase agreement	\$ 484,805	\$ 631,196
General obligation notes:		
Energy conservation	<u>318,000</u>	<u>336,000</u>
<b>Total</b>	<b><u>\$ 802,805</u></b>	<b><u>\$ 967,196</u></b>

At June 30, 2010, the District's overall legal debt margin was \$23,122,165 with an unvoted debt margin of \$256,911.

See Note 10 to the basic financial statements for detail on the District's debt administration.



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Current Financial Related Activities**

The challenge for the District's management is to continue to provide the resources necessary to meet student needs and to stay within the five-year forecast. The five-year forecast is utilized by the District to effectively and efficiently manage the District's resources to their fullest.

The District is preparing for the new State Evidence Based Funding Model. The new model brings many changes in the way schools in Ohio will be funded. This approach will require every administrator to be involved with the way in which instruction and staffing will be implemented and funded in the years to come.

In May of 2010, the District was successful in passing a \$37,917,624 bond Issue. This bond issue will be used to fund the construction of an Ohio School Facilities Commission project. This project will be to build a new Pre-Kindergarten through 12th grade school campus.

In fiscal year 2010, the District negotiated with the Circleville Education Association. The outcome was a three year agreement. The Association also agreed to participate in the Race to the Top. The Board of Education approved a Classified Employees Handbook for the same time period. Both agreements included a 2.5% pay increase each year.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Kristen Rhoads, Treasurer at Circleville City School District, 388 Clark Drive, Circleville, Ohio, 43113.

**BASIC  
FINANCIAL STATEMENTS**

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 14,854,773
Receivables (net of allowance for uncollectibles):	
Property taxes . . . . .	8,549,300
Income taxes. . . . .	448,341
Accounts. . . . .	84,291
Intergovernmental . . . . .	781,416
Accrued interest . . . . .	12,466
Materials and supplies inventory . . . . .	27,219
Capital assets:	
Land. . . . .	1,378,392
Depreciable capital assets, net. . . . .	4,531,671
Capital assets, net . . . . .	<u>5,910,063</u>
 Total assets. . . . .	 <u>30,667,869</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	153,991
Accrued wages and benefits . . . . .	2,238,401
Pension obligation payable. . . . .	672,416
Intergovernmental payable . . . . .	80,150
Unearned revenue . . . . .	7,097,193
Accrued interest payable . . . . .	1,040
Long-term liabilities:	
Due within one year. . . . .	480,729
Due in more than one year . . . . .	1,851,932
 Total liabilities . . . . .	 <u>12,575,852</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	5,425,258
Restricted for:	
Capital projects . . . . .	917,936
Debt service. . . . .	190
State funded programs. . . . .	38,559
Federally funded programs . . . . .	63,037
Public school support . . . . .	38,031
Student activities . . . . .	68,806
Other purposes . . . . .	39,047
Unrestricted. . . . .	<u>11,501,153</u>
 Total net assets . . . . .	 <u>\$ 18,092,017</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 10,853,017	\$ 521,968	\$ 973,498	\$ (9,357,551)
Special . . . . .	2,975,585	50,587	407,556	(2,517,442)
Vocational . . . . .	126,287	-	77,840	(48,447)
Other. . . . .	106,691	-	-	(106,691)
Support services:				
Pupil. . . . .	1,163,576	-	56,306	(1,107,270)
Instructional staff . . . . .	3,407,089	39	1,244,200	(2,162,850)
Board of education. . . . .	237,311	-	-	(237,311)
Administration. . . . .	1,983,315	-	217,878	(1,765,437)
Fiscal. . . . .	589,271	-	-	(589,271)
Operations and maintenance. . . . .	2,032,696	9,340	54,387	(1,968,969)
Pupil transportation . . . . .	778,927	-	18,347	(760,580)
Operation of non-instructional services:				
Other non-instructional services . . . . .	96,906	1,581	100,921	5,596
Food service operations . . . . .	1,093,329	396,113	659,959	(37,257)
Extracurricular activities . . . . .	512,119	111,056	130	(400,933)
Interest and fiscal charges. . . . .	41,146	-	-	(41,146)
Totals . . . . .	<u>\$ 25,997,265</u>	<u>\$ 1,090,684</u>	<u>\$ 3,811,022</u>	<u>(21,095,559)</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	7,488,664
Debt service. . . . .	67
Capital outlay. . . . .	523,854
School district income taxes. . . . .	1,414,108
Revenue in lieu of taxes. . . . .	56,200
Grants and entitlements not restricted	
to specific programs . . . . .	11,611,798
Investment earnings . . . . .	128,273
Miscellaneous. . . . .	73,395
Total general revenues. . . . .	<u>21,296,359</u>
Change in net assets. . . . .	200,800
<b>Net assets at beginning of year . . . . .</b>	<u>17,891,217</u>
<b>Net assets at end of year. . . . .</b>	<u>\$ 18,092,017</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and investments. . . . .	\$ 13,548,990	\$ 1,201,459	\$ 14,750,449
Receivables:			
Property taxes . . . . .	7,982,812	566,488	8,549,300
Income taxes. . . . .	448,341	-	448,341
Accounts. . . . .	84,128	163	84,291
Intergovernmental . . . . .	8,189	773,227	781,416
Accrued interest . . . . .	12,466	-	12,466
Interfund loans. . . . .	466,664	-	466,664
Materials and supplies inventory. . . . .	16,734	10,485	27,219
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	104,324	-	104,324
Total assets . . . . .	<u>\$ 22,672,648</u>	<u>\$ 2,551,822</u>	<u>\$ 25,224,470</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 128,504	\$ 25,487	\$ 153,991
Accrued wages and benefits. . . . .	1,849,174	389,227	2,238,401
Compensated absences payable. . . . .	110,662	17,970	128,632
Pension obligation payable . . . . .	584,277	88,139	672,416
Intergovernmental payable . . . . .	56,213	23,937	80,150
Interfund loans payable. . . . .	-	466,664	466,664
Unearned revenue. . . . .	6,615,267	481,926	7,097,193
Deferred revenue . . . . .	465,229	791,628	1,256,857
Total liabilities. . . . .	<u>9,809,326</u>	<u>2,284,978</u>	<u>12,094,304</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	147,752	50,347	198,099
Reserved for materials and supplies inventory. . . . .	16,734	10,485	27,219
Reserved for property tax unavailable for appropriation . . . . .	920,106	66,129	986,235
Reserved for debt service. . . . .	-	190	190
Reserved for BWC refunds. . . . .	82,071	-	82,071
Reserved for school bus purchases . . . . .	22,253	-	22,253
Unreserved, undesignated (deficit), reported in:			
General fund . . . . .	11,674,406	-	11,674,406
Special revenue funds . . . . .	-	(663,192)	(663,192)
Capital projects funds . . . . .	-	802,885	802,885
Total fund balances . . . . .	<u>12,863,322</u>	<u>266,844</u>	<u>13,130,166</u>
Total liabilities and fund balances . . . . .	<u>\$ 22,672,648</u>	<u>\$ 2,551,822</u>	<u>\$ 25,224,470</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010

<b>Total governmental fund balances</b>		\$ 13,130,166
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,910,063
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 472,352	
Intergovernmental receivable	774,904	
Interest receivable	<u>9,601</u>	
Total		1,256,857
In the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is accrued when due.		(1,040)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Energy conservation notes payable	(318,000)	
Compensated absences payable	(1,401,224)	
Lease purchase obligation	<u>(484,805)</u>	
Total		<u>(2,204,029)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 18,092,017</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 7,517,310	\$ 529,573	\$ 8,046,883
Income taxes . . . . .	1,414,108	-	1,414,108
Tuition . . . . .	487,281	-	487,281
Charges for services . . . . .	-	375,058	375,058
Earnings on investments . . . . .	132,053	17	132,070
Extracurricular . . . . .	35	136,128	136,163
Classroom materials and fees . . . . .	34,561	-	34,561
Rental income . . . . .	8,481	-	8,481
Other local revenues . . . . .	72,040	50,638	122,678
Revenue in lieu of taxes . . . . .	56,200	-	56,200
Intergovernmental - state . . . . .	11,338,383	391,863	11,730,246
Intergovernmental - federal . . . . .	88,009	2,950,450	3,038,459
Total revenue . . . . .	<u>21,148,461</u>	<u>4,433,727</u>	<u>25,582,188</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	9,961,539	683,487	10,645,026
Special . . . . .	2,089,892	825,278	2,915,170
Vocational . . . . .	42,150	73,895	116,045
Other . . . . .	106,691	-	106,691
Support services:			
Pupil . . . . .	1,084,558	82,297	1,166,855
Instructional staff . . . . .	2,141,682	1,256,148	3,397,830
Board of education . . . . .	237,329	-	237,329
Administration . . . . .	1,733,705	213,730	1,947,435
Fiscal . . . . .	580,858	8,965	589,823
Operations and maintenance . . . . .	1,889,685	125,599	2,015,284
Pupil transportation . . . . .	744,078	189,663	933,741
Operation of non-instructional services:			
Other non-instructional services . . . . .	522	88,433	88,955
Food service operations . . . . .	-	1,081,529	1,081,529
Extracurricular activities . . . . .	380,784	133,423	514,207
Facilities acquisition and construction . . . . .	1,177,754	-	1,177,754
Debt service:			
Principal retirement . . . . .	18,000	146,391	164,391
Interest and fiscal charges . . . . .	13,463	27,742	41,205
Total expenditures . . . . .	<u>22,202,690</u>	<u>4,936,580</u>	<u>27,139,270</u>
Excess of expenditures over revenues . . . . .	<u>(1,054,229)</u>	<u>(502,853)</u>	<u>(1,557,082)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	1,709,819	30,000	1,739,819
Transfers (out) . . . . .	(30,000)	-	(30,000)
Total other financing sources (uses) . . . . .	<u>1,679,819</u>	<u>30,000</u>	<u>1,709,819</u>
Net change in fund balances . . . . .	625,590	(472,853)	152,737
<b>Fund balances at beginning of year . . . . .</b>	<b>12,237,732</b>	<b>736,481</b>	<b>12,974,213</b>
<b>Increase in reserve for inventory . . . . .</b>	<b>-</b>	<b>3,216</b>	<b>3,216</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 12,863,322</u></b>	<b><u>\$ 266,844</u></b>	<b><u>\$ 13,130,166</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Net change in fund balances - total governmental funds** \$ 152,737

*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 capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$	1,538,277	
Current year depreciation		(477,620)	
Total			1,060,657

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (5,724)

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

Taxes		(34,298)	
Intergovernmental revenue		662,144	
Earnings on investments		(3,780)	
Total			624,066

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 3,216

Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 164,391

In the statement of activities, interest is accrued on outstanding bonds whereas in governmental funds, an interest expenditure is reported when due. 59

Some expenses reported in the statement of activities, such as compensated absences and early retirement incentive do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (88,783)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (1,709,819)

**Change in net assets of governmental activities** \$ 200,800

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 7,263,436	\$ 7,191,861	\$ 7,766,147	\$ 574,286
Income taxes. . . . .	1,333,766	1,320,622	1,426,077	105,455
Tuition. . . . .	397,467	393,550	424,976	31,426
Earnings on investments . . . . .	167,714	166,062	179,322	13,260
Extracurricular. . . . .	33	32	35	3
Classroom materials and fees . . . . .	32,418	32,099	34,662	2,563
Rental income . . . . .	8,325	8,243	8,901	658
Other local revenues . . . . .	67,490	66,825	72,161	5,336
Intergovernmental - intermediate . . . . .	52,722	52,203	56,371	4,168
Intergovernmental - state . . . . .	10,607,559	10,503,027	11,341,719	838,692
Intergovernmental - federal . . . . .	80,611	79,816	86,190	6,374
Total revenue . . . . .	<u>20,011,541</u>	<u>19,814,340</u>	<u>21,396,561</u>	<u>1,582,221</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	10,117,324	10,581,444	10,472,680	108,764
Special. . . . .	2,146,504	2,244,626	2,214,100	30,526
Vocational. . . . .	39,422	41,294	42,229	(935)
Other. . . . .	104,703	109,403	106,039	3,364
Support Services:				
Pupil. . . . .	1,089,333	1,139,386	1,129,409	9,977
Instructional staff . . . . .	1,959,393	2,048,418	2,008,813	39,605
Board of education . . . . .	264,113	276,651	282,917	(6,266)
Administration. . . . .	1,719,768	1,799,066	1,789,328	9,738
Fiscal . . . . .	552,269	577,986	580,300	(2,314)
Operations and maintenance. . . . .	1,918,514	2,007,522	2,008,422	(900)
Pupil transportation . . . . .	707,723	740,159	731,907	8,252
Operation of non-instructional services . . . . .	487	510	522	(12)
Extracurricular activities. . . . .	357,109	374,009	381,345	(7,336)
Facilities acquisition and construction . . . . .	1,099,475	1,151,670	1,177,754	(26,084)
Debt service:				
Principal . . . . .	16,804	17,601	18,000	(399)
Interest and fiscal charges. . . . .	12,568	13,165	13,463	(298)
Total expenditures . . . . .	<u>22,105,509</u>	<u>23,122,910</u>	<u>22,957,228</u>	<u>165,682</u>
Excess of revenues over (under) expenditures. . . . .	<u>(2,093,968)</u>	<u>(3,308,570)</u>	<u>(1,560,667)</u>	<u>1,747,903</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	3,289,137	3,273,378	1,709,819	(1,563,559)
Transfers (out). . . . .	(8,183)	(9,513)	(30,000)	(20,487)
Advances (out) . . . . .	<u>(435,647)</u>	<u>(456,329)</u>	<u>(466,664)</u>	<u>(10,335)</u>
Total other financing sources (uses) . . . . .	<u>2,845,307</u>	<u>2,807,536</u>	<u>1,213,155</u>	<u>(1,594,381)</u>
Net change in fund balance . . . . .	751,339	(501,034)	(347,512)	153,522
<b>Fund balance at beginning of year . . . . .</b>	13,442,591	13,442,591	13,442,591	-
<b>Prior year encumbrances appropriated . . . . .</b>	296,222	296,222	296,222	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 14,490,152</u>	<u>\$ 13,237,779</u>	<u>\$ 13,391,301</u>	<u>\$ 153,522</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Governmental Activities - Internal Service Fund</b>
Transfer out . . . . .	\$ (1,709,819)
Change in net assets. . . . .	(1,709,819)
<b>Net assets at beginning of year . . . . .</b>	<b>1,709,819</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ -</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash payments for claims . . . . .	\$ (221,735)
Net cash (used in) operating activities . . . . .	<u>(221,735)</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers out . . . . .	\$ (1,709,819)
Net cash (used in) noncapital financing activities. . . . .	<u>(1,709,819)</u>
Net decrease in cash and cash equivalents . . . . .	<u>(1,931,554)</u>
<b>Cash and cash equivalents at beginning of year . . . .</b>	<u>1,931,554</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ -</u></u>
<b>Reconciliation of operating income to net cash (used in) operating activities:</b>	
Operating income . . . . .	\$ -
Changes in assets and liabilities: Decrease in claims payable. . . . .	<u>(221,735)</u>
Net cash (used in) operating activities . . . . .	<u><u>\$ (221,735)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 33,762	\$ 95,432
Receivables:		
Accounts . . . . .	-	333
Total assets. . . . .	<u>33,762</u>	<u>\$ 95,765</u>
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 95,765
Total liabilities . . . . .	-	<u>\$ 95,765</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>33,762</u>	
Total net assets . . . . .	<u>\$ 33,762</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	
<b>Additions:</b>		
Interest . . . . .	\$	1
Total additions. . . . .		1
 <b>Deductions:</b>		
Scholarships awarded . . . . .		4,721
Change in net assets. . . . .		(4,720)
<b>Net assets at beginning of year . . . . .</b>		<b>38,482</b>
<b>Net assets at end of year. . . . .</b>	<b>\$</b>	<b>33,762</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Circleville City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 216<sup>th</sup> largest by enrollment among the 905 public and community school districts in the State. The District employs 154 non-certified and 176 certified employees to provide services to approximately 2,270 students and community groups. The District provides regular instruction, special instruction and vocational programs through the Pickaway-Ross Career and Technology Center. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, pupil transportation, food services, extracurricular activities and non-programmed services. The District co-operates with the Pickaway County Educational Service Center, a separate entity, for curricular services.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

South Central Ohio Computer Association

The District is a participant in the South Central Ohio Computer Association (“SCOCA”) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Jackson, Vinton, Pickaway, Gallia, Ross and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The District paid \$194,730 to SCOCA for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway County Public Employer Benefits Program

The District has joined with Teays Valley Local School District, Logan Elm Local School District and Westfall Local School District to form the Pickaway County Public Employer Benefits Program (“PCPEBP”), a public entity shared risk pool organized to provide health care benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by their superintendent or superintendent designee.

Logan Elm Local School District serves as fiscal agent for the PCPEBP. To obtain financial information, write Steve McAfee, Treasurer, Logan Elm Local School District, 9579 Tarlton Road, Circleville, Ohio 43113-9448.

Pickaway-Ross Career and Technology Center

The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Ben Van Horn, Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

School Study Council of Ohio

The School Study Council of Ohio (“SSCO”), created in 1965, of which the District is a member, is a non-profit organization of fifty-six school districts, eleven educational service centers, four colleges of education and eight related educational schools and agencies from thirty counties. It is owned and governed by the member organizations with a Board of Trustees representing member organizations. Their mission is to enable district improvement through planning assistance, professional development, funding and related resource acquisition, research, system assessment and impact evaluation, leadership development and other personalized technical assistance. The District has no ongoing financial interest or ongoing financial responsibility to the Council. To obtain the SSCO annual report, write to the School Study Council of Ohio, 2080 Citygate Drive, Columbus Ohio 43219.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*PUBLIC ENTITY RISK POOL*

Workers' Compensation

The District participates in the Ohio Association of School Business Officials (OASBO)/ Sheakley UniServe Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by Sheakley UniServe, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

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

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

Nonmajor governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; (c) grants and other resources whose use is restricted to a particular purpose; and (d) for food service operations.

*PROPRIETARY FUNDS*

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

*Internal service fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The District has one internal service fund to account for the former self-insurance program which provided medical and dental benefits to employees. Effective July 1, 2009, the District was no longer self-insured upon joining the Pickaway County Public Employer Benefits Program (see Note 2.A).



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid "doubling up" revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

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

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District had no operating revenues or expenses in fiscal year 2010. The District ceased being self-insured in fiscal year 2010. The activity of the internal service fund consisted of the payment of previously incurred and accrued claims and a residual equity transfer out to the general fund. The payment of the residual claims is reported on the statement of cash flows and the residual equity transfer is reported on the statement of revenues, expenses and changes in net assets and on the statement of cash flows.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

**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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the period in which the income was earned (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

*Unearned Revenue and Deferred Revenue* - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010, are recorded as deferred revenue.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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.

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2010 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, which are the permanent appropriations, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, if the line item transfer does not exceed \$10,000. All supplemental appropriations were legally enacted. The final budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year. During the year, supplemental appropriations were legally enacted by the Board, none of which were significant.
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**F. Cash and Investments**

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

During fiscal year 2010, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, U.S. Government money market mutual funds and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2010 amounted to \$132,053, which includes \$19,318 assigned from other District funds.

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

**G. Inventory**

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government wide financial statements and the purchase method on the fund financial statements. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis and is expensed when purchased.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no prepaids at June 30, 2010.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 15 years
Buildings and improvements	40 years
Furniture and equipment	5 - 15 years
Vehicles	10 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 in the governmental type activities columns of the statement of net assets.

**K. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

**M. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property tax unavailable for appropriation, BWC refunds, school bus purchases and debt service. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**N. Parochial School**

New Hope Christian School operates within the District's boundaries. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. These activities are reported as a governmental activity of the District.

**O. 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 governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for BWC refunds and school bus purchases. See Note 17 for details.

**P. Estimates**

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

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist of school bus purchases, special school support, special trust and the DECA scholarship fund (a nonmajor governmental fund).

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

**R. Interfund Activity**

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



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 87,146
Public school preschool	34,864
Poverty based assistance	5,163
Title VI-B	225,250
Stimulus Title II-D	3,453
Title I	281,825
Title VI	13
Drug-free school grant	4,673
EHA preschool grant	10,960
Improving teacher quality	26,048
Miscellaneous federal grants	141,251

These funds complied with Ohio State law, which does not permit cash-basis deficits at year end. The general fund is liable for any deficits in the nonmajor funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

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

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

**A. Cash on Hand**

At year end, the District had \$7,350 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$682,967. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$623,031 of the District’s bank balance of \$873,031 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 4,070,203	\$ 205,000	\$ 1,615,000	\$ 1,400,203	\$ -	\$ 850,000
FFCB	599,813	-	599,813	-	-	-
FNMA	810,000	-	-	-	-	810,000
FHLM discount notes	799,840	799,840	-	-	-	-
FNMA discount notes	369,186	-	369,186	-	-	-
FHLB discount notes	1,494,600	-	1,494,600	-	-	-
U.S. Government money market mutual funds	4,660,795	4,660,795	-	-	-	-
STAR Ohio	1,489,213	1,489,213	-	-	-	-
<b>Total</b>	<b>\$ 14,293,650</b>	<b>\$ 7,154,848</b>	<b>\$ 4,078,599</b>	<b>\$ 1,400,203</b>	<b>\$ -</b>	<b>\$ 1,660,000</b>

The weighted average maturity of investments is 0.90 years.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

*Credit Risk:* The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in STAR Ohio and U.S. government money market mutual funds obtained an AAAM money market rating by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 4,070,203	28.46
FFCB	599,813	4.20
FNMA	810,000	5.67
FHLM discount notes	799,840	5.60
FNMA discount notes	369,186	2.58
FHLB discount notes	1,494,600	10.46
U.S. Government money market mutual funds	4,660,795	32.61
STAR Ohio	<u>1,489,213</u>	<u>10.42</u>
Total	<u>\$ 14,293,650</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 682,967
Investments	14,293,650
Cash on hand	<u>7,350</u>
Total	<u>\$ 14,983,967</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 14,854,773
Private-purpose trust fund	33,762
Agency fund	<u>95,432</u>
Total	<u>\$ 14,983,967</u>

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2010 consisted of the following interfund loans receivable and payable, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$466,664</u>

The primary purpose of these interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported in the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>		
General fund	\$	30,000
<u>Transfers to the general fund from:</u>		
Internal service fund		<u>1,709,819</u>
Total		<u>\$ 1,739,819</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers made in fiscal year 2010 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

The \$1,709,819 transfer from the internal service fund to the general fund is a residual equity transfer as the District no longer operates a self-insurance program effective July 1, 2009.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Pickaway County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$920,106 in the general fund and \$66,129 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$1,168,943 in the general fund and \$76,931 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 249,080,470	94.44	\$ 247,326,000	96.04
Public utility personal	9,132,880	3.46	9,584,830	3.72
Tangible personal property	<u>5,547,018</u>	<u>2.10</u>	<u>625,630</u>	<u>0.24</u>
Total	<u>\$ 263,760,368</u>	<u>100.00</u>	<u>\$ 257,536,460</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$52.14		\$52.14	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

In November 2005, the District passed a .75% continuing earned income only tax for general operations of the District. Employers and residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax is credited to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Property taxes	\$ 8,549,300
Income taxes	448,341
Accounts	84,291
Intergovernmental	781,416
Accrued interest	<u>12,466</u>
Total	<u>\$ 9,875,814</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 200,638	\$ 1,177,754	\$ -	\$ 1,378,392
<i>Capital assets, being depreciated:</i>				
Land improvements	1,235,433	16,585	-	1,252,018
Building and improvements	9,412,847	-	-	9,412,847
Furniture and equipment	2,562,459	145,581	(28,571)	2,679,469
Vehicles	<u>1,069,157</u>	<u>198,357</u>	<u>(7,000)</u>	<u>1,260,514</u>
Total capital assets, being depreciated	<u>14,279,896</u>	<u>360,523</u>	<u>(35,571)</u>	<u>14,604,848</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,188,401)	(30,598)	-	(1,218,999)
Building and improvements	(6,198,881)	(160,791)	-	(6,359,672)
Furniture and equipment	(1,453,612)	(235,041)	27,722	(1,660,931)
Vehicles	<u>(784,510)</u>	<u>(51,190)</u>	<u>2,125</u>	<u>(833,575)</u>
Total accumulated depreciation	<u>(9,625,404)</u>	<u>(477,620)</u>	<u>29,847</u>	<u>(10,073,177)</u>
Governmental activities capital assets, net	<u>\$ 4,855,130</u>	<u>\$ 1,060,657</u>	<u>\$ (5,724)</u>	<u>\$ 5,910,063</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 369,418
Special	4,853
Vocational	10,242
<u>Support services:</u>	
Pupil	1,376
Instructional staff	5,725
Administration	5,176
Fiscal	1,721
Operations and maintenance	8,142
Pupil transportation	51,190
<u>Operation of non-instructional services:</u>	
Food service operations	6,941
Other non-instructional services	7,951
Extracurricular	<u>4,885</u>
Total depreciation expense	<u>\$ 477,620</u>

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	Balance <u>6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/10</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Energy conservation note	\$ 336,000	\$ -	\$ (18,000)	\$ 318,000	\$ 19,000
Lease purchase agreement	631,196	-	(146,391)	484,805	153,747
Early retirement incentive	780,378	-	(780,378)	-	-
Compensated absences	<u>1,516,834</u>	<u>368,574</u>	<u>(355,552)</u>	<u>1,529,856</u>	<u>307,982</u>
Total governmental activities long-term liabilities	<u>\$ 3,264,408</u>	<u>\$ 368,574</u>	<u>\$ (1,300,321)</u>	<u>\$ 2,332,661</u>	<u>\$ 480,729</u>

Early retirement incentive and compensated absences: Compensated absences will be paid from the fund which the employee's salaries are paid which, for the District, is primarily the general fund and the food service fund.

- B. During fiscal year 2008, the District issued energy conservation notes to provide for energy improvements to various District buildings. The notes bear an interest rate of 4.117% and will mature on December 1, 2022. The primary source of repayment of these notes is through energy savings as a result of the improvements. Energy improvements made to the District's buildings from the note issue were for maintenance and repairs and therefore were not capitalized.

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the general fund. The unmatured obligations at year end are accounted for in the statement of net assets.

- C. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Fiscal Year <u>Ending June 30,</u>	<u>Energy Conservation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 19,000	\$ 12,701	\$ 31,701
2012	20,000	11,898	31,898
2013	21,000	11,054	32,054
2014	21,000	10,190	31,190
2015	22,000	9,304	31,304
2016 - 2020	125,000	31,804	156,804
2021 - 2023	<u>90,000</u>	<u>5,641</u>	<u>95,641</u>
Total	<u>\$ 318,000</u>	<u>\$ 92,592</u>	<u>\$ 410,592</u>

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

- D. Lease-purchase agreement** - During fiscal year 2009, the District entered into a lease-purchase agreement with Key Government Finance, Inc. for the purpose of acquiring computers and server equipment. The \$770,583 in proceeds bear an interest rate of 4.91%, are to be repaid over 5 years and have a final maturity of June 30, 2013. Payments of principal and interest relating to the lease purchase agreement are recorded as expenditures in the permanent improvement fund (a nonmajor governmental fund).

Principal and interest requirements to retire the lease-purchase obligation at June 30, 2010 follows:

Fiscal Year <u>Ending June 30,</u>	Lease-Purchase Agreement		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 153,747	\$ 20,386	\$ 174,133
2012	161,472	12,661	174,133
2013	<u>169,586</u>	<u>4,547</u>	<u>174,133</u>
Total	<u>\$ 484,805</u>	<u>\$ 37,594</u>	<u>\$ 522,399</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$23,122,165 (including available funds of \$190) and an unvoted debt margin of \$256,911.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The administrators are generally granted 20 days of vacation per year.

Classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Vacation time, which is unused as of the employee's anniversary date, can be carried over to a subsequent year, with a maximum of 3 years accrual (60 days). Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 11 - EMPLOYEE BENEFITS - (Continued)**

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1 - 6	10
7 - 10	15
11 - 15	18
16 - beyond	20

Each employee earns sick leave at the rate of one and quarter days per month. Sick leave shall accumulate during active employment on a continuous year-to-date basis. Maximum sick leave accumulation for all employees is 252 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement, if the employee has been employed by the District for a minimum of 10 consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of 140 days of all accumulated sick leave credited to that employee, or 35 days pay, plus 1 day's pay for each 6 accrued sick leave days exceeding 140 days, not to exceed a total of 54 days of severance pay.

**B. Early Retirement Incentive**

Prior to June 30, 2005, the District implemented a retirement incentive plan through Public Agency Retirement Services, (PARS). To have been eligible for this plan, employees had to be age 55 with 25 or more years of STRS Ohio/SERS service as of June 30, 2005. Upon retirement, the District will make five annual payments, which equal the employee's total severance, to PARS to purchase annuities for those employees enrolled in PARS.

In fiscal year 2009, the District offered an early retirement incentive to certified employees, administrators and classified employees. A \$30,000 retirement incentive was available to any certified employee or administrator that was first eligible to retire at the end of the 2009 fiscal year. To be eligible for this incentive, the employee must have notified the Treasurer by May 1, 2009 of their intent to retire. A retirement incentive was also available to classified employees that were first eligible to retire at the end of the 2009 fiscal year for the lesser of one year's salary or \$20,000. The classified employee must have notified the Treasurer by May 29, 2009 of their intent to retire.

For employees who retire under the age of 55, a one time lump sum payment of the total severance is made by the District to the employee.

All remaining retirement incentive payments were made in fiscal year 2010 and there is no further liability for retirement incentives at June 30, 2010.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 12 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. In addition, the District maintains a \$3,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss and \$3,000,000 for excess auto liability.

The District maintains replacement cost insurance on buildings and contents in the amount of \$54,494,190.

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

**B. Health Care Benefits**

Effective July 1, 2009, the District began offering health care benefits to employees through the PCPEBP, a public entity shared risk pool, currently operating as a common risk management and insurance program for 4 member school districts. The PCPEBP was organized to provide health care benefits to its members.

The District pays 94% of the health care premiums for all full-time employees. This percentage is pro-rated for part-time employees. The health care coverage is administered by United Healthcare, a third party administrator. The stop-loss coverage is \$150,000 per covered person and an aggregate of \$2,000,000.

**C. Workers' Compensation Rating Program**

For fiscal year 2010, the District participated in the OASBO/Sheakley UniServe Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniServe provides administrative, cost control and actuarial services to the GRP.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](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 District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$468,933, \$294,261 and \$248,472, respectively; 44.70 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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 times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 13 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,418,677, \$1,350,939 and \$1,272,061, respectively; 81.88 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$40,196 made by the District and \$28,711 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$80,860, \$178,066 and \$151,184, respectively; 44.70 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$27,886, \$24,279 and \$17,903, respectively; 44.70 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$109,129, \$103,918 and \$97,851, respectively; 81.88 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported as fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (347,512)
Net adjustment for revenue accruals	(248,100)
Net adjustment for expenditure accruals	496,091
Net adjustment for other sources/uses	466,664
Adjustment for encumbrances	258,447
GAAP basis	\$ 625,590

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2010.

**B. Litigation**

The District is not involved in pending litigation that would have a material effect on the financial condition of the District.

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	BWC <u>Refunds</u>
Set-aside balance as of June 30, 2009	\$ (848,116)	\$ -	\$ 82,071
Current year set-aside requirement	362,485	362,485	-
Qualifying disbursements	<u>(399,648)</u>	<u>(1,231,195)</u>	<u>-</u>
Total	<u>\$ (885,279)</u>	<u>\$ (868,710)</u>	<u>\$ 82,071</u>
Balance carried forward to fiscal year 2011	<u>\$ (885,279)</u>	<u>\$ -</u>	<u>\$ 82,071</u>

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. The District had qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years.

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

The District also had \$22,253 restricted for school bus purchases at June 30, 2010.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 17 - STATUTORY RESERVES - (Continued)**

A schedule of the governmental fund restricted assets at June 30, 2010 follows:

Amount restricted for BWC refunds	\$ 82,071
Amount restricted for school bus purchases	<u>22,253</u>
Total restricted assets	<u>\$ 104,324</u>

**NOTE 18 - SUBSEQUENT EVENT**

On July 13, 2010, the District issued school facilities construction and improvement notes in the amount of \$26,657,624 for various improvements to school buildings. These notes bear an interest rate of 2% and mature on November 23, 2010.

On August 11, 2010, the District issued Ohio School Facilities Construction and Improvement Bonds, Series 2010A in the amount of \$11,260,000 for the Ohio School Facilities Commission (OSFC) project. These bonds bear an interest rate of 5.65% and mature on November 1, 2025.

On August 26, 2010, the District issued Ohio School Facilities Construction and Improvement Bonds, Series 2010B and 2010C, in the amount of \$2,057,618 and \$24,600,000, respectively, for the OSFC project. These bonds bear variable interest rates and mature on November 1, 2017 and November 1, 2040, respectively.

## **SUPPLEMENTARY DATA**

**CIRCLEVILLE CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Nutrition Grant Cluster:</i>				
(D) (E) School Breakfast Program	10.553	2010	\$ 177,295	\$ 177,295
(C) (E) National School Lunch Program - Donations	10.555	2010	38,098	38,098
(D) (E) National School Lunch Program	10.555	2010	425,729	425,729
<b>Total National School Lunch Program</b>			<u>463,827</u>	<u>463,827</u>
(D) (E) Summer Food Program	10.559	2010	8,445	8,445
<i>Total Nutrition Grant Cluster</i>			<u>649,567</u>	<u>649,567</u>
Team Nutrition Grant	10.574	2010	4,000	-
<b>Total U.S. Department of Agriculture</b>			<u>653,567</u>	<u>649,567</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Title I Grant Cluster:</i>				
(F)(H) Title I Grants to Local Educational Agencies	84.010	2009	46,857	126,361
(F)(H) Title I Grants to Local Educational Agencies	84.010	2010	481,008	587,782
<b>Total Title I Grants to Local Educational Agencies</b>			<u>527,865</u>	<u>714,143</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	107,756	133,415
<i>Total Title I Grant Cluster</i>			<u>635,621</u>	<u>847,558</u>
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2009	48,576	88,981
(G) Special Education_Grants to States	84.027	2010	388,002	465,543
<b>Total Special Education Grants to States</b>			<u>436,578</u>	<u>554,524</u>
(G) Special Education_Preschool Grants	84.173	2009	776	5,159
(G) Special Education_Preschool Grants	84.173	2010	9,179	8,915
<b>Total Special Education_Preschool Grants</b>			<u>9,955</u>	<u>14,074</u>
(G) ARRA - Special Education_Grants to States, Recovery Act	84.391	2010	212,696	248,686
(G) ARRA - Special Education_Preschool Grants, Recovery Act	84.392	2010	17,000	17,961
<i>Total Special Education Grant Cluster</i>			<u>676,229</u>	<u>835,245</u>
(H) Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	(77)	1,000
(H) Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	5,957	8,983
<b>Total Safe and Drug-Free Schools and Communities State Grants</b>			<u>5,880</u>	<u>9,983</u>
Twenty-First Century Community Learning Centers	84.287	2009	2,193	9,068
Twenty-First Century Community Learning Centers	84.287	2010	259,292	369,267
<b>Total Twenty-First Century Community Learning Centers</b>			<u>261,485</u>	<u>378,335</u>

-continued

**CIRCLEVILLE CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
State Grants for Innovative Programs	84.298	2009	\$ 74	\$ 74
Education Technology State Grants	84.318	2010	1,597	4,708
(H) Improving Teacher Quality State Grants	84.367	2009	(22,259)	2,860
(H) Improving Teacher Quality State Grants	84.367	2010	140,936	159,980
<b>Total Improving Teacher Quality State Grants</b>			<u>118,677</u>	<u>162,840</u>
ARRA - State Fiscal Stabilization Fund_Education State Grants, Recovery Act	84.394	2010	616,858	496,905
<b>Total U.S. Department of Education</b>			<u>2,316,421</u>	<u>2,735,648</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 2,969,988</u>	<u>\$ 3,385,215</u>

Notes to the Schedule of Receipts and Expenditures of Federal Awards:

- (A) OAKS did not assign pass-through numbers for fiscal year 2010.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2010, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2009	\$ 6,881	
Title I Grants to Local Educational Agencies	84.010	2010		\$ 6,881
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	77	
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010		77
Improving Teacher Quality State Grants	84.367	2009	22,259	
Improving Teacher Quality State Grants	84.367	2010		22,259
Totals			<u>\$ 29,217</u>	<u>\$ 29,217</u>



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and On  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Circleville City School District  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Circleville City School District, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise Circleville City School District's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Education  
Circleville City School District

Compliance and Other Matters

As part of reasonably assuring whether the Circleville City 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Circleville City School District, federal awarding agencies and pass-through entities, and others within the Circleville City School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 17, 2010





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Each  
Major Federal Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

Circleville City School District  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

Compliance

We have audited the compliance of the Circleville City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Circleville City School District's major federal programs. The Circleville City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Circleville City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Circleville City School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Circleville City School District's compliance with those requirements.

In our opinion, the Circleville City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The Circleville City School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Circleville City School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Circleville City School District's internal control over compliance.

Board of Education  
Circleville City School District

*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 compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management and Board of Education of the Circleville City School District, federal awarding agencies and pass-through entities, and others within the Circleville City School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
December 17, 2010

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies - CFDA #84.010; ARRA - Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389; Special Education Grant Cluster: Special Education_Grants to States - CFDA #84.027; Special Education_Preschool Grants - CFDA #84.173; ARRA - Special Education_Grants to States Recovery Act - CFDA # 84.391; ARRA - Special Education_Preschool Grants, Recovery Act - CFDA #84.392; Twenty-First Century Community Learning Centers - CFDA #84.287; ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Act - CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505*  
JUNE 30, 2010**

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

None

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

None



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Circleville City School District  
Pickaway County  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school”.

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Circleville City School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an updated anti-harassment policy at its meeting on December 15, 2010.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
- (6) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (7) A procedure for documenting any prohibited incident that is reported;
- (8) A procedure for responding to and investigating any reported incident;
- (9) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (10) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education of Circleville City School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.  
December 17, 2010



# Dave Yost • Auditor of State

CIRCLEVILLE CITY SCHOOL DISTRICT

PICKAWAY 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  
FEBRUARY 3, 2011