



Dave Yost • Auditor of State

**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Finneytown Local School District
Hamilton County
8916 Fontainbleau Terrace
Cincinnati, Ohio 45231

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Government's basic financial statements taken as a whole. The federal awards receipt and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipt and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 25, 2011

FINNEYTOWN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

The discussion and analysis of Finneytown Local School District's 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 notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets decreased \$0.42 million or 8.8 percent.
- General revenues accounted for \$17.08 million in revenue or 78.0 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4.83 million or 22.0 percent of total revenues of \$21.91 million.
- Total assets of governmental activities increased by \$0.19 million as taxes receivable increased by \$0.97 million and cash and other receivables decreased by \$0.68 million.
- The District had \$22.32 million in expenses related to governmental activities; only \$4.83 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$17.08 million were adequate to provide for these programs.
- As a major fund, the General Fund had \$17.03 million in revenues and \$17.96 million in expenditures. The General Fund's balance decreased from \$3.55 to \$2.61 million.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private-sector corporations. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, current property tax laws, student enrollment trends, facility conditions, required educational programs and other factors in arriving at their conclusion regarding the overall health of the District.

FINNEYTOWN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Reporting the District's Most Significant Funds

Fund Financial Statements

Analysis of the District's major fund is presented in the fund financial statements. Fund financial reports provide detailed information about the District's major fund – not the District as a whole. The General Fund is the only major fund of the District. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus only on the District's major fund.

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

Fiduciary Funds The District maintains two agency funds. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The Fiduciary funds are used to account for the financial resources that the District has agreed to hold or manage in an agent or fiduciary capacity.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2010 compared to 2009:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>% Change</u>
	<u>2010</u>	<u>2009 Restated</u>	
Assets			
Current and Other Assets	\$14,852,503	\$14,569,629	1.94%
Capital Assets	<u>7,469,452</u>	<u>7,558,020</u>	<u>-1.17%</u>
Total Assets	<u>\$22,321,955</u>	<u>\$22,127,649</u>	<u>0.88%</u>

FINNEYTOWN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

(Table 1)
Net Assets (Continued)

	<u>2010</u>	<u>2009 Restated</u>	<u>% Change</u>
Liabilities			
Long-Term Liabilities	\$8,253,866	\$8,349,181	-1.14%
Other Liabilities	<u>9,759,488</u>	<u>9,052,509</u>	<u>7.81%</u>
Total Liabilities	<u>\$18,013,354</u>	<u>\$17,401,690</u>	<u>3.51%</u>
Net Assets Invested in			
Capital Assets Net of Debt	\$ 601,452	\$ 449,020	33.95%
Restricted	1,729,244	1,330,515	29.97%
Unrestricted	<u>1,977,905</u>	<u>2,946,424</u>	<u>-32.87%</u>
Total Net Assets	<u>\$4,308,601</u>	<u>\$4,725,959</u>	<u>8.83%</u>

Total assets increased \$0.19 million. Equity in pooled cash and investments decreased \$0.12 million. Taxes receivable increased \$0.97 million. Total liabilities increased \$0.61 million, resulting in a net asset decrease of \$0.42 million.

Table 2 shows the change in net assets for fiscal year 2010. Notable changes include: gains in charges for services, operating grants and property taxes and the loss of some grants and entitlements and other general revenues.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009 Restated</u>	<u>% Change</u>
Program Revenues:			
Charges for Services	\$937,409	\$701,881	33.56%
Operating Grants	3,893,044	3,297,051	18.08%
Capital Grants	0	9,800	-100.00%
General Revenue:			
Property Taxes	9,739,957	9,424,753	3.34%
Grants and Entitlements	6,956,065	7,226,790	-3.75%
Other	<u>380,689</u>	<u>474,980</u>	<u>-19.85%</u>
Total Revenues	<u>\$21,907,164</u>	<u>\$21,135,255</u>	<u>3.65%</u>
Program Expenses:			
Instruction	10,867,735	10,847,697	0.18%
Support Services:			
Pupil and Instructional Staff	3,160,498	2,886,384	9.50%

FINNEYTOWN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 2
Changes in Net Assets (Continued)

	<u>2010</u>	<u>2009 Restated</u>	<u>% Change</u>
Administration,			
Fiscal and Business	2,263,700	2,193,745	3.19%
Operations and Maintenance	1,729,703	1,739,255	-0.55%
Pupil Transportation	1,004,878	884,467	13.61%
Central	276,643	233,472	18.49%
Operation of Non-Instructional	1,943,648	1,985,989	-2.13%
Extracurricular Activities	674,380	548,738	22.90%
Interest and Fiscal Charges	<u>403,337</u>	<u>414,252</u>	<u>-2.63%</u>
 Total Expenses	 <u>22,324,522</u>	 <u>21,733,999</u>	 <u>2.72%</u>
 Increase in Net Assets	 <u>(\$417,358)</u>	 <u>(\$598,744)</u>	

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised seventy-six percent (76%) of the District's revenues for governmental activities.

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

Thus, Ohio districts dependent upon property taxes must periodically return to the voters to maintain a constant level of service in an inflationary environment. Property taxes made up forty-four percent (44%) of revenue for governmental activities for the District in fiscal year 2010.

Instruction comprises forty-nine percent (49%) of governmental program expenses. Support services expenses were thirty-seven percent (38%) of governmental program expenses. All other expenses, including interest expense, was thirteen percent (13%) of governmental program expenses. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

FINNEYTOWN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2010</u>	Net Cost of Services <u>2009</u>
Instruction	\$10,867,735	\$10,847,697	(\$9,011,333)	(\$9,502,530)
Support Services:				
Pupil and Instructional Staff	3,160,498	2,886,384	(2,530,595)	(2,577,164)
Administration,				
Fiscal and Business	2,263,700	2,193,745	(2,214,785)	(1,994,281)
Operations and Maintenance	1,729,703	1,739,255	(1,699,016)	(1,721,061)
Pupil Transportation	1,004,878	884,467	(842,720)	(819,051)
Central	276,643	233,472	(260,421)	(212,483)
Operation of Non-Instructional	1,943,648	1,985,989	(61,538)	(83,444)
Extracurricular Activities	674,380	548,738	(470,324)	(401,001)
Interest and Fiscal Charges	<u>403,337</u>	<u>414,252</u>	<u>(403,337)</u>	<u>(414,252)</u>
 Total Expenses	 <u>\$22,324,522</u>	 <u>\$21,733,999</u>	 <u>(\$17,494,069)</u>	 <u>(\$17,725,267)</u>

The District's Funds

Information about the District's major fund starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$21,769,838 and expenditures and other financing uses of \$22,388,865. The net change in fund balance for the year was a decrease of \$619,027. This decrease was primarily due to the impact of the activities of the General Fund, which are discussed in the next section.

In Ohio, property taxes are not permitted to grow with inflation. New property tax revenues can only be generated through new construction or voted increases. The District is 99% developed; consequently the possibility of new construction is low.

General Fund Budgeting Highlights

The General Fund excess of expenditures over revenues amounted to \$935,705. This deficit can be attributed to the age of the last operating levy, a 7.95 mill levy passed in November 2004. After several years of operating surpluses, expenditures have caught up to and surpassed the district's flat revenues. A new 7.95 continuing operating levy was approved by district voters in May 2010 with first collection in January 2011. The district's formal Fiscal Responsibility Plan has been very successful in controlling General Fund expenditure growth and stretching the levy an estimated six years. A major component of the Fiscal Responsibility Plan has been the right sizing of the district's staffing levels in response to declining student enrollment. Since fiscal year 2003, staffing levels totals have been reduced from 247 to 207 full time equivalent staff.

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.

FINNEYTOWN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

During the course of fiscal 2010, the District amended its general fund budget several times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the actual budget basis revenue was \$17,756,943, with an original budget estimate of \$17,797,090. The difference of \$40,147 represents a variance of 0.2%. The District's ending General Fund unobligated cash balance at \$1,964,588 was \$193,874 lower than the original budgeted amount and can be attributed to a SERS retirement system rule change, which called for the payment of a \$209,664 one-time, six-month employer contribution catch-up by 6/30/10.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the District had \$7.47 million invested in land, buildings and improvements, furniture and equipment and construction in progress. Table 4 shows fiscal 2010 balances compared to fiscal 2009:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Land	\$1,154,812	\$1,154,812
Buildings and Improvements	5,488,963	5,469,436
Furniture and Equipment	752,470	815,793
Construction in Progress	<u>73,207</u>	<u>117,979</u>
Total Net Capital Assets	<u>\$7,469,452</u>	<u>\$7,558,020</u>

District net capital assets decreased by \$0.09 million in fiscal year 2010. The District reported \$0.74 million in acquisitions, retired \$0.38 million in capital assets, and recognized \$.56 million in depreciation expense during the year. This District is committed to maintaining and improving its capital assets.

Debt

At June 30, 2010, the District had \$6,355,000 in general obligation bonds and \$513,000 in capital lease obligations outstanding. The amount due within one year on these obligations totals \$252,000. Table 5 summarizes total outstanding debt.

FINNEYTOWN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
General Obligation Bonds:		
1997 School Improvement	\$6,355,000	\$6,555,000
Capital Lease Obligations	<u>513,000</u>	<u>554,000</u>
Total Debt Outstanding	<u>\$6,868,000</u>	<u>\$7,109,000</u>

At June 30, 2010, the District's overall legal debt margin was \$20,818,687 with an unvoted debt margin of \$231,319. In 1997 the District passed a 3.96 mill bond issue, providing \$8.7 million for renovation of all buildings through out the district. In September 2010, the District simultaneously paid off and reissued \$3.96 million in outstanding general obligation bonds, saving taxpayers \$1.11 million over the remaining 14-year life of the issue. The refunding lowers the interest cost from 5.80% to 3.48%. In July 2010, Standard & Poor's increased the district's bond rating from "A" to "AA".

Economic Conditions and Outlook

The District faces many opportunities and challenges. Among these include: Ohio's new comprehensive education reform plan, the condition of the local, state and national economies, possible reductions in State funding for schools, the legislated phase out of business and utility taxes, a declining tax base, and declining student enrollment.

After several years of operating surpluses, following passage of the district's November 2004 operating levy, the District has experienced operating deficits for the past two years. In May 2010 district voters approved a new 7.95 mill continuing operating levy. Collection will begin in January 2011. The new levy and continued district Fiscal Responsibility Plan efforts should provide adequate funding for at least the next three years.

A new era of comprehensive education reform was ushered into Ohio with the passage of House Bill 1. Education reform was accomplished through the creation of the new Ohio Evidence Based Model (OEBM). The goal of the new model is to drive funding and resources to school districts to provide a high-quality education for all students while allowing for local control and flexibility. Initial education funding increases associated with the new funding plan were minimal because of current economic realities and goals to phase the plan in over the next decade.

Poor economic news on the local, state and national level will continue to challenge revenues, which are forecasted to be flat and even declining over the next five years. On the state level, a possible \$5 - \$8 billion State of Ohio budget gap for the 2012 and 2013 biennial budget must be addressed by the legislature and governor. If this comes to pass, it will most certainly threaten funding to schools in Ohio. On the national level, recession, high unemployment and staggering levels of national debt, raise concerns over the stability of federal funding traditionally provided to schools, once one-time America Recovery and Reinvestment Act (ARRA) and the Education Jobs Bill funding runs out.

FINNEYTOWN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

In an effort to compete for business with other states, Ohio enacted several pieces of legislation in recent years, which impact the District's local tax-generated revenue stream. House Bill 66, enacted in 2005, phases out the tax on the tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. House Bill 1, enacted in 2009, temporarily lengthens the levy loss reimbursement paid by the State to each school district to 100% through fiscal year 2013 (rather than fiscal year 2011). These reimbursements phase down and expire by fiscal year 2018. The reduced business and public utility tax base will place a greater burden on local residential taxpayers in the years to come.

The District has experienced a steady and consistent decline in student enrollment for the last ten years. This decline is predicted to modestly continue in future years of the District's five year forecast. The State of Ohio provides significant revenue to the District through its Foundation program. Lower enrollment is expected to significantly limit growth and very possibly trigger reductions in the District's State Foundation program revenues for the next several years.

The District is working very hard to control expenditure growth while maintaining a first-class academic program. With continued careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

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 David Oliverio, Treasurer at Finneytown Local School District, 8916 Fontainebleau Terrace, Cincinnati, Ohio 45231 or e-mail at doliverio@finneytown.org.

Finneytown Local School District
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$3,299,793
Restricted Cash and Investments	4,354
Receivables:	
Taxes	10,907,441
Accounts	20,688
Intergovernmental	620,227
Nondepreciable Capital Assets	1,228,019
Depreciable Capital Assets, Net	<u>6,241,433</u>
 Total Assets	 <u>22,321,955</u>
Liabilities:	
Accounts Payable	14,252
Accrued Wages and Benefits	2,903,493
Retainage Payable	4,354
Accrued Interest Payable	31,490
Unearned Revenue	6,805,899
Long-Term Liabilities:	
Due Within One Year	484,124
Due In More Than One Year	<u>7,769,742</u>
 Total Liabilities	 <u>18,013,354</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	601,452
Restricted for:	
Debt Service	751,469
Capital Projects	341,842
Other Purposes	635,933
Unrestricted	<u>1,977,905</u>
 Total Net Assets	 <u><u>\$4,308,601</u></u>

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$7,276,556	\$370,218	\$341,997	(\$6,564,341)
Special	2,541,741	56,535	736,383	(1,748,823)
Vocational	137,417	0	42,111	(95,306)
Other	912,021	0	309,158	(602,863)
Support Services:				
Pupil	1,542,114	0	494,013	(1,048,101)
Instructional Staff	1,618,384	0	135,890	(1,482,494)
General Administration	27,259	0	0	(27,259)
School Administration	1,261,642	48,915	0	(1,212,727)
Fiscal	467,317	0	0	(467,317)
Business	507,482	0	0	(507,482)
Operations and Maintenance	1,729,703	30,687	0	(1,699,016)
Pupil Transportation	1,004,878	0	162,158	(842,720)
Central	276,643	0	16,222	(260,421)
Operation of Non-Instructional Services	1,943,648	226,998	1,655,112	(61,538)
Extracurricular Activities	674,380	204,056	0	(470,324)
Interest and Fiscal Charges	403,337	0	0	(403,337)
Totals	\$22,324,522	\$937,409	\$3,893,044	(17,494,069)

Property Taxes Levied for:	
General Purposes	8,989,705
Debt Service Purposes	528,700
Capital Projects Purposes	221,552
Grants and Entitlements not Restricted to Specific Programs	6,956,065
Revenue in Lieu of Taxes	236,238
Investment Earnings	22,101
Other Revenues	122,350
Total General Revenues	17,076,711
Change in Net Assets	(417,358)
Net Assets Beginning of Year, Restated (See Note 17)	4,725,959
Net Assets End of Year	\$4,308,601

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,964,589	\$1,335,204	\$3,299,793
Restricted Cash and Investments	0	4,354	4,354
Receivables:			
Taxes	10,136,436	771,005	10,907,441
Accounts	20,688	0	20,688
Intergovernmental	245,885	374,342	620,227
Interfund	37,757	0	37,757
Total Assets	12,405,355	2,484,905	14,890,260
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	11,567	2,685	14,252
Accrued Wages and Benefits	2,702,676	200,817	2,903,493
Compensated Absences	154,816	0	154,816
Retainage Payable	0	4,354	4,354
Interfund Payable	0	37,757	37,757
Deferred Revenue	6,925,740	590,699	7,516,439
Total Liabilities	9,794,799	836,312	10,631,111
Fund Balances:			
Reserved for Encumbrances	0	230,811	230,811
Reserved for Property Tax Advances	3,343,000	284,400	3,627,400
Unreserved, Undesignated, Reported in:			
General Fund	(732,444)	0	(732,444)
Special Revenue Funds	0	431,934	431,934
Debt Service Funds	0	551,387	551,387
Capital Projects Funds	0	150,061	150,061
Total Fund Balances	2,610,556	1,648,593	4,259,149
Total Liabilities and Fund Balances	\$12,405,355	\$2,484,905	\$14,890,260

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balance		\$4,259,149
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,469,452
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	606,446	
Intergovernmental	<u>104,094</u>	
		710,540
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(31,490)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,231,050)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(6,868,000)</u>
Net Assets of Governmental Activities		<u><u>\$4,308,601</u></u>

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$8,927,414	\$747,857	\$9,675,271
Revenue in lieu of taxes	236,238	0	236,238
Tuition and Fees	336,833	89,379	426,212
Investment Earnings	21,862	239	22,101
Intergovernmental	7,407,716	3,357,421	10,765,137
Extracurricular Activities	0	206,531	206,531
Charges for Services	48,915	225,063	273,978
Other Revenues	54,301	80,981	135,282
Total Revenues	17,033,279	4,707,471	21,740,750
Expenditures:			
Current:			
Instruction:			
Regular	6,623,482	513,283	7,136,765
Special	2,256,014	278,829	2,534,843
Vocational	91,796	41,919	133,715
Other	620,177	288,702	908,879
Support Services:			
Pupil	1,050,370	459,765	1,510,135
Instructional Staff	1,504,813	115,699	1,620,512
General Administration	27,259	0	27,259
School Administration	1,295,886	0	1,295,886
Fiscal	453,187	11,362	464,549
Business	461,012	0	461,012
Operations and Maintenance	1,717,165	14,557	1,731,722
Pupil Transportation	845,055	76,803	921,858
Central	250,987	18,073	269,060
Operation of Non-Instructional Services	101,562	1,632,683	1,734,245
Extracurricular Activities	416,197	228,524	644,721
Capital Outlay	250,001	91,533	341,534
Debt Service:			
Principal Retirement	0	241,000	241,000
Interest and Fiscal Charges	0	404,220	404,220
Total Expenditures	17,964,963	4,416,952	22,381,915
Excess of Revenues Over (Under) Expenditures	(931,684)	290,519	(641,165)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	2,929	19,209	22,138
Transfers In	0	6,950	6,950
Transfers (Out)	(6,950)	0	(6,950)
Total Other Financing Sources (Uses)	(4,021)	26,159	22,138
Net Change in Fund Balance	(935,705)	316,678	(619,027)
Fund Balance Beginning of Year, Restated (See Note 17)	3,546,261	1,331,915	4,878,176
Fund Balance End of Year	\$2,610,556	\$1,648,593	\$4,259,149

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balance - Total Governmental Funds (619,027)

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

Governmental funds report capital asset additions 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 of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	473,343	
Depreciation Expense	<u>(557,530)</u>	(84,187)

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (4,381)

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

Delinquent Property Taxes	64,687	
Intergovernmental	<u>83,970</u>	148,657

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 241,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 883

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

Compensated Absences	<u>(100,303)</u>	
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Change in Net Assets of Governmental Activities (417,358)

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,886,180	\$8,866,135	\$8,866,135	\$0
Tuition and Fees	337,595	336,833	336,833	0
Investment Earnings	21,911	21,862	21,862	0
Intergovernmental	8,085,891	8,067,651	8,067,651	0
Charges for Services	49,026	48,915	48,915	0
Other Revenues	416,487	415,547	415,547	0
Total Revenues	17,797,090	17,756,943	17,756,943	0
Expenditures:				
Current:				
Instruction:				
Regular	6,676,236	6,732,972	6,732,972	0
Special	2,255,616	2,274,785	2,274,785	0
Vocational	91,418	92,195	92,195	0
Other	580,904	585,841	585,841	0
Support Services:				
Pupil	1,042,008	1,050,863	1,050,863	0
Instructional Staff	1,502,077	1,514,842	1,514,842	0
General Administration	26,866	27,094	27,094	0
School Administration	1,350,679	1,362,157	1,362,157	0
Fiscal	449,825	453,648	453,648	0
Business	397,947	401,329	401,329	0
Operations and Maintenance	1,705,753	1,720,249	1,720,249	0
Pupil Transportation	840,633	847,777	847,777	0
Central	249,481	251,601	251,601	0
Operation of Non-Instructional Services	113,188	114,150	114,150	0
Extracurricular Activities	413,233	416,745	416,745	0
Capital Outlay	247,894	250,001	250,001	0
Total Expenditures	17,943,758	18,096,249	18,096,249	0
Excess of Revenues Over (Under) Expenditures	(146,668)	(339,306)	(339,306)	0
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	2,936	2,929	2,929	0
Advances In	79,855	79,675	79,675	0
Advances (Out)	(116,443)	(117,433)	(117,433)	0
Transfers (Out)	(6,891)	(6,950)	(6,950)	0
Total Other Financing Sources (Uses)	(40,543)	(41,779)	(41,779)	0
Net Change in Fund Balance	(187,211)	(381,085)	(381,085)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,345,673	2,345,673	2,345,673	0
Fund Balance End of Year	\$2,158,462	\$1,964,588	\$1,964,588	\$0

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2010

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$42,796</u>
Total Assets	<u><u>42,796</u></u>
Liabilities:	
Other Liabilities	<u>42,796</u>
Total Liabilities	<u><u>\$42,796</u></u>

See accompanying notes to the Basic Financial Statements.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Finneytown Local School District (the “District”) is a political body incorporated for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Finneytown Local School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. Total enrollment as of October 1, 2009 was 1,618. The District employed 126 certificated employees and 106 non-certificated employees. The District operated 3 schools – Brent Elementary (grades K-2), Whitaker Elementary (grades 3-6), and the Finneytown Secondary Campus (grades 7-12).

Management believes the financial statements included in this report represent all of the funds of the District for which the Board of Education is financially accountable.

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District’s accounting policies are described below.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Fiduciary funds are not included in entity-wide statements.

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

Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. 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 General Fund is the District's only 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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants and other resources, debt service, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are classified as trust funds and agency funds. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include a student managed activity fund and a school-related support organization district agency fund.

C. Measurement Focus

Government-wide Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities reports increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Fiduciary funds are not included in entity-wide statements.

Fund Financial Statements

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

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fiduciary Funds are reported using the economic resources measurement focus.

D Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current fiscal year or 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available for advance, grants and investment earnings.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of fiscal year end, but which were levied to finance subsequent fiscal year operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities, to the extent used during the year, is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. To the extent unused donated commodities exist, they are reported as deferred 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. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

During fiscal year 2010, the School District's investments consisted of certificates of deposit and State Treasury Asset Reserve of Ohio (STAROhio).

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Rule2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the District allocates interest earnings to funds as prescribed by Board resolution and required by law. Interest revenue during fiscal year 2010 amounted to \$22,101.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale, to the extent they are on hand at fiscal year end, and consumable supplies.

G. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand dollars (\$2,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings	40 years
Building Improvements	20 years
Equipment	5 - 20 years

H. 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, laws of other government or imposed by enabling legislation.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting payment method.

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

For governmental fund financial statements, the compensated absences is the amount due and payable. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	20-25 days per year depending on length of service	10-20 days per year depending upon length of service
Maximum Accumulation	Not Applicable	Up to 20 days from prior years; Payout option: up to 5 unused days/year	Three times annual award
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement Not Applicable termination	Paid upon termination	Paid upon	
 <u>Sick Leave</u>	 <u>Certified</u>	 <u>Administrators</u>	 <u>Non-Certificated</u>
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	230 days	245 or 260 days	230 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement 1/4 paid upon	Severance based upon retirement; 1/2 paid if 1 st year retirement eligible	1/4 paid upon 32.43% of final contract salary; 62.16% if 1 st year retirement eligible	retirement; 1/2 paid if 1 st year retirement eligible

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

K. Fund Balance Reserves and Designations

The School 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 inventory, property taxes and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, set-asides and property tax advances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 3 - CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued)

- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2010, the carrying amount of the district's deposits was \$1,795,905 and the bank balance was \$2,139,978. Federal depository insurance covered \$648,017 of the bank balance and \$1,491,961 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments

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

<u>Investment Type</u>	<u>Book Value</u>	<u>Aggregate Credit Risk</u>	<u>Weighted Average Maturity (Years)</u>
STAR Ohio	<u>\$1,551,070</u>	<u>100%</u>	<u>0.16</u>
Total Fair Value	<u>\$1,551,070</u>	<u>100%</u>	<u>0.16</u>

Interest rate risk

It is the District's policy to manage its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio, by matching investment maturities to scheduled obligations and by maintaining desired liquidity objectives.

Credit risk

It is the District's policy to limit its investments, that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government, to investments which are rated at the time of purchase in the highest classification established by at least two (2) nationally recognized statistical rating organizations. The District's investments in STAR Ohio was rated AAAM by Standard & Poors.

Custodial credit risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District requires that all purchased securities are either insured and registered in the name of the District or at least registered in the name of the District.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 4 - PROPERTY TAXES

Real property taxes collected in 2010 were levied in April on the assessed values as of January 1, 2009, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property was formerly assessed at 25 percent of true value (as defined). House Bill 66, approved in 2005, phases out the tax on the tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. At the same time, the bill replaces the revenue lost due to phasing out the tax. In the first five years, school districts are fully reimbursed for the lost revenue; in the following seven years, the reimbursements are phased out.

Real property taxes are payable annually or semi-annually. In 2010, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The Hamilton County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2010. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2010. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2010, was \$3,343,000 for the General Fund, \$201,000 for the Bond Retirement Fund and \$83,400 for the Permanent Improvement Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2010 operations. The amount available as an advance at June 30, 2009, was \$3,281,721 for the General Fund, \$198,018 for the Bond Retirement Fund and \$82,732 for the Permanent Improvement Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2009 operations.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 4 - PROPERTY TAXES (Continued)

On a full accrual basis, collectible delinquent property taxes in the amount of \$606,446 have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$225,126,330
Public Utility Personal	5,907,000
Tangible Personal Property	<u>285,410</u>
Total	<u>\$231,318,740</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2010, consisted of taxes, accounts (student fees) and intergovernmental grants. 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.

NOTE 6 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Government Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$1,154,812	0	0	\$1,154,812
Construction in Progress	<u>117,979</u>	<u>224,700</u>	<u>(269,472)</u>	<u>73,207</u>
Subtotal	1,272,791	224,700	(269,472)	1,228,019
<i>Capital assets being depreciated:</i>				
Buildings & Improvements	13,251,451	331,298	0	13,582,749
Equipment	<u>2,723,350</u>	<u>186,817</u>	<u>(111,362)</u>	<u>2,798,805</u>
Subtotal	15,974,801	518,115	(111,362)	16,381,554
Totals at Historical Cost	<u>\$17,247,592</u>	<u>\$742,815</u>	<u>(\$380,834)</u>	<u>\$17,609,573</u>

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Less Accumulated Depreciation:</i>				
Buildings & Improvements	7,782,015	311,771	0	8,093,786
Equipment	<u>1,907,557</u>	<u>245,759</u>	<u>(106,981)</u>	<u>2,046,335</u>
Total Accumulated Depreciation	<u>\$9,689,572</u>	<u>\$557,530</u>	<u>(\$106,981)</u>	<u>\$10,140,121</u>
Governmental Activities Capital Assets, Net	<u>\$7,558,020</u>	<u>\$185,285</u>	<u>(\$273,853)</u>	<u>\$7,469,452</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$97,953
Special	2,713
Vocational	1,871
Support Services:	
Pupil	6,580
School Administration	2,441
Treasurer	3,445
Business	17,607
Operations and Maintenance	27,441
Pupil Transportation	132,444
Central	7,777
Community Services	218,074
Extracurricular Activities	<u>39,184</u>
Total Depreciation Expense	<u>\$557,530</u>

NOTE 7 - 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 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$20,818,687 and an unvoted debt margin of \$231,319.

The bond issue is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Payment of principal and interest relating to this liability is recorded as an expenditure in the Debt Service Fund.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

(Continued)

NOTE 8 - LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
<u>General Obligation Bonds:</u>						
School Improvement 1997 5.68%	12/01/24	6,555,000	\$ 0	\$200,000	\$6,355,000	\$210,000
Total General Obligation Bonds	6,555,000	0	200,000	6,355,000	210,000	
Compensated Absences		1,240,180	145,686	0	1,385,866	232,128
Capital Lease Obligations		<u>554,000</u>	<u>0</u>	<u>41,000</u>	<u>513,000</u>	<u>42,000</u>
Total General Long-Term Obligations		<u>\$8,349,180</u>	<u>\$ 145,686</u>	<u>\$241,000</u>	<u>\$8,253,866</u>	<u>\$484,128</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the permanent improvement fund.

The District's Board of Education has approved a Retirement Assistance Plan. Participation is open to employees that agree to retire at the end of the school year in which they first become eligible (as determined by the retirement system). Employees that qualify will receive a severance per diem stipend of fifty percent (50%) of accumulated unused sick leave. Administrative employees that qualify receive 62.16% of their final contract salary. The year end liability is paid out in two installments—September 2010 and July 2011. Employees not qualifying for the Retirement Assistance Program receive twenty-five percent (25%) of accumulated sick leave paid September 2010. Administrative employees that do not qualify receive 32.43% of their final contract salary. This liability is included in the Compensated Absences portion of the table above.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

	<u>General Obligation Bonds</u>		
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	210,000	371,523	581,522
2012	225,000	358,251	583,251
2013	265,000	343,051	608,051
2014	280,000	326,090	606,090
2015	300,000	308,110	608,110
2016-2020	2,045,000	1,201,815	3,246,815
2021-2025	<u>3,030,000</u>	<u>467,190</u>	<u>3,497,190</u>
Totals	<u>\$6,355,000</u>	<u>\$3,376,030</u>	<u>\$9,731,030</u>

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 9 - CAPITAL LEASES – LESSEE DISCLOSURE

In fiscal year 2004, the District entered into a lease-purchase agreement for the construction of gymnasium bleachers, a bus garage/maintenance building and middle school elevator. In fiscal year 2008, the District amended the lease-purchase agreement to replace the bus garage/maintenance building portion of the Original Project with the acquisition and improvement of real property, including demolition, site improvements and construction of an access drive. The School District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned U.S. Bank as trustee. The lease is renewable annually and expires in 2019. The intention of the District is to renew the lease annually.

The District makes semi-annual lease payments from the Permanent Improvement Fund to U.S. Bank Corporate Trust Services. The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 3.745% plus an annual administrative fee not to exceed .15%. In fiscal year 2010, the District made the scheduled principal payment of \$41,000. The principal amount owed on the lease at fiscal year-end is \$513,000.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2011	61,739
2012	62,280
2013	62,671
2014	62,915
2015	63,013
2016 - 2020	<u>314,651</u>
Total	\$627,269
Less: Amount Representing Interest (3.745%)	(110,155)
Less: Additional Program Cost Component (NTE 0.15%)	<u>(4,114)</u>
Present Value of Minimum Lease Payments	<u>\$513,000</u>

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll-free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org, under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$416,184, 417,960, and \$433,788, respectively, which equaled the required contributions each year; 100% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008. A projected surcharge amount of \$43,728 related to fiscal year 2010 activities will be levied in fiscal year 2011 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. DC and Combined Plan members will transfer to the DB plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 10 - PENSION PLANS (Continued)

The DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the formula benefit the retirement allowance is based on years of credited service and final average salary, which is the average of the members’ three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5% with an additional one-tenth of a percent added to the calculation for every year over 31 years until 100% of the final average salary is reached. For members with 35 or more years of Ohio contributing services, the first 30 years will be calculated at 2.5%. Under the “money-purchase benefit” calculation, a members’ lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3% of the original base amount.

The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members’ designated beneficiary is entitled to receive the member’s account balance.

Combined Plan offers features of the DC Plan and the DB Plan. Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Plan members’ defined benefit is determined by multiplying 1% of the members’ final average salary by the members’ years of service credit. The defined benefit portion of the Combined Plan is payable to members on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 10 - PENSION PLANS (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

For the fiscal year ended June 30, 2010, STRS Ohio plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14% of covered payroll; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,212,528, \$1,169,280, and \$1,137,888 respectively; 82.9% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008. \$207,848 representing the unpaid contribution for fiscal year 2010 is recorded as a liability within the respective funds. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, two members of the Board of Education elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 11 - POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired non-certified employees and their dependents through the School Employees Retirement System of Ohio (SERS) and to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits included hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 11 - POST EMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System

SERS administers two post-employment benefit plans, the Medicare Part B Plan and the Health Care Plan as permitted by Ohio Revised Code Sections 3309.69 and 3309.375. The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees. The Health Care Plan provides health care and a prescription drug plan. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The SERS Retirement Board establishes the rules for the premiums paid by the retirees and their dependents or for their beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The Medicare Part B premium reimbursement plan reimburses eligible retirees for the lesser of January 1, 1999 Medicare Part B premiums or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40. SERS' reimbursement to retirees was \$45.50. The Retirement Board, with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2010, the actuarially required allocation was .76%. For the fiscal years ended June 30, 2010, 2009 and 2008 the District's contributions to Medicare Part B were \$22,593, \$22,391, and \$21,070 respectively; 100% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

The Health Care Plan is funded through employer contributions. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2010, the health care allocation was 0.46%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800.

For fiscal years ended June 30, 2010, 2009 and 2008 District contributions to the Health Care Plan, including the surcharge, were \$180,474, \$167, 359, and \$146,035, respectively; 100.0% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 11 - POST EMPLOYMENT BENEFITS (Continued)

Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2010, 2009 and 2008 the District's contributions to post-employment health care were \$12,125, \$11,693 and \$11,379, respectively; 82.9% has been contributed for 2010 and 100% for fiscal years 2009 and 2008.

NOTE 12 - CONTINGENT LIABILITIES

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2010.

B. Litigation

The District's attorney estimates that all potential claims against the District not covered by insurance resulting from litigation would not materially affect the financial statements of the District.

NOTE 13 - RISK MANAGEMENT

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. During fiscal year 2010, the District contracted with Ohio Casualty for property, boiler and machinery insurance and for general liability insurance.

The District maintains blanket building and contents insurance coverage on its assets with a \$46,133,100 limit of liability and a \$1000 deductible. Vehicles have a \$500 deductible for comprehensive, \$500 deductible for collision and a \$1,000,000 single limited liability. Settlement amounts have not exceeded insurance coverage for any of the past three fiscal years.

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 13 - RISK MANAGEMENT (Continued)

The District maintains general liability insurance with limits of \$1,000,000 each occurrence, \$2,000,000 aggregate. The District also has \$1,000,000 umbrella liability coverage over both general and automobile liability limits.

Public officials bond insurance is provided by the Ohio Casualty Insurance Company. The Treasurer and Director of Administrative Services are covered by bonds in the amounts \$20,000 each. Treasurer Office and Athletic Department employees are covered by \$5,000 bonds. The Cafeteria manager is covered by a \$3,000 bond.

For fiscal year 2010 the District provided employee medical/surgical benefits through the Greater Cincinnati, Insurance Consortium.

NOTE 14 - CLAIMS SERVICING POOL

The District participates as a member of the Greater Cincinnati Insurance Consortium (GCIC), a shared risk pool, comprised of twelve Hamilton County school districts and the Hamilton County Educational Service Center. Decisions concerning the operation of the consortium are made by a Board of Directors consisting of one (1) representative selected from each participating district and the educational service center. Each member pays an administrative fee to the pool. The Consortium converted from a fully-insured consortium through an independent third party insurance company to a self-funded insurance consortium with stop loss insurance coverage effective July 1, 2007. Anthem Blue Cross Blue Shield provides claim review and processing.

NOTE 15 - SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2010, the School District was not required to set aside funds in the budget reserve set-aside.

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

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 15 - SET-ASIDE CALCULATIONS (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2009	\$ 0	\$ 0
Current Year Set-aside Requirement	261,145	261,145
Qualified Disbursements	(326,131)	(253,463)
Current Year Offsets	<u>0</u>	<u>(283,140)</u>
Total	<u>\$ (64,985)</u>	<u>\$(275,458)</u>
Set-Aside Reserve Balance as of June 30, 2010	<u>\$ 0</u>	<u>\$ 0</u>
Cumulative Surplus Spending Credit		
Carried Forward to FY 2011	<u>\$(968,227)</u>	<u>\$ 0</u>

The cumulative surplus spending credit may be carried forward to offset textbook spending requirements in future fiscal years. In fiscal year 2010, this balance increased from \$903,242 to \$968,227.

NOTE 16 - INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2010, consisted of the following individual fund receivables and payables:

Interfund Receivables/Payables:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$37,757	
Special Revenue Fund:		
High Schools That Work		\$ 1,716
IDEA - Part B ARRA		\$ 10,836
Title I ARRA		\$ 8,537
Safe & Drug Free Schools		\$ 3,025
Early Childhood Special Ed		\$ 8,737
Improving Teacher Quality	<u> </u>	<u>\$ 4,906</u>
Total	<u>\$37,757</u>	<u>\$37,757</u>

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE

A change in accounting principle was adopted to record TIF payments for the prior period. The following adjustments were made:

	<u>General Fund</u>	<u>Governmental Activities</u>
Fund balance/net assets June 30, 2009	\$3,291,203	\$4,470,901
TIF restatement	<u>\$ 255,058</u>	<u>\$ 255,058</u>
Total	<u>\$3,546,261</u>	<u>\$4,725,959</u>

NOTE 18 - SUBSEQUENT EVENT

In September 2010, the District simultaneously paid off and reissued \$3.96 million in outstanding general obligation bonds, saving taxpayers \$1.11 million over the remaining 14-year life of the issue. The refunding lowers the interest cost from 5.80% to 3.48%. In July 2010, Standard & Poor's increased the district's bond rating from "A" to "AA".

NOTE 19 - BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modification at this level may only be made by resolution of the Board of Education. The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year.

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

FINNEYTOWN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

NOTE 19 - BUDGETARY PROCESS (Continued)

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual 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 GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	Net Change in Fund Balance <u>General Fund</u>
GAAP Basis	(\$935,705)
Net Adjustment for Revenue Accruals	723,664
Net Adjustment for Expenditure Accruals	(131,286)
Advances In	79,675
Advances Out	<u>(117,433)</u>
Budget Basis	<u>(\$381,085)</u>

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**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster:				
School Breakfast Program		10.553	\$46,862	\$46,862
National School Lunch Program	LLP4	10.555	<u>179,948</u>	<u>179,948</u>
Total U.S. Department of Agriculture			<u>226,810</u>	<u>226,810</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster:				
ARRA - Special Education Grant to States (IDEA Part B)	6BSF	84.391	283,993	294,829
Special Education Grants to State (IDEA Part B)	6BSF	84.027	491,054	490,816
ARRA - Special Education Preschool Grants	6BSF	84.392	1,000	1,000
Special Education Preschool Grants	6BSF	84.173	<u>971</u>	<u>9,708</u>
Total Special Education Cluster			777,018	796,353
ARRA Title I	C1S1	84.389	41,473	50,010
Title I	C1S1	84.010	256,787	247,724
Vocational Education Basic Grants to States	20C2	84.048	4,111	4,111
Safe and Drug Free Schools	DRS1	84.186	3,837	6,862
Educational Technology State Grants (Title II - D)	TJS1	84.318	1,251	1,308
Improving Teacher Quality State Grants (Title II-A)	TRS1	84.367	39,479	44,385
ARRA - State Fiscal Stabilization Fund		84.394	376,549	376,549
Total U.S. Department of Education			<u>1,500,505</u>	<u>1,527,302</u>
Total			<u>\$1,727,315</u>	<u>\$1,754,112</u>

The accompanying notes are an integral part of this schedule.

**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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



Dave Yost • Auditor of State

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

Finneytown Local School District
Hamilton County
8916 Fontainbleau Terrace
Cincinnati, Ohio 45231

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Finneytown Local School District, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 25, 2011. 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 School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School'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 School's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the School'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*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242

Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.auditor.state.oh.us

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Dave Yost
Auditor of State

February 25, 2011



Dave Yost • Auditor of State

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

Finneytown Local School District
Hamilton County
8916 Fontainbleau Terrace
Cincinnati, Ohio 45231

To the Board of Education:

Compliance

We have audited the compliance of Finneytown Local School District, Hamilton County, Ohio (the School), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Finneytown Local School District's major federal program for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal program. The School'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 School'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 School'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 School's compliance with those requirements.

In our opinion, Finneytown Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The School'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 the School's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over 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 the School's internal control over compliance.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242

Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.auditor.state.oh.us

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 management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Dave Yost
Auditor of State

February 25, 2011

**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 84.027, 84.173, 84.391, and 84.392 Special Education Cluster CFDA# 84.394 ARRA State Fiscal Stabilization Fund
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

FINNEYTOWN LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2011**