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**WASHINGTON COURT HOUSE  
CITY SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2012

With Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Education  
Washington Court House City School District  
306 Highland Avenue  
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditors' Report* of the Washington Court House City School District, Fayette County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 8, 2013

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Washington Court House City School District:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2013, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
January 28, 2013



**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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The discussion and analysis of the Washington Court House City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- In total, net assets of governmental activities decreased \$1,155,504.
- General revenues accounted for \$17,113,989 of all revenues and reflect the School District's continued dependence on property taxes and unrestricted State entitlements.
- The School District had \$24,166,590 in expenses related to governmental activities; only \$5,897,097 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues (primarily grants and entitlements and property taxes) of \$17,113,989 were not adequate to provide for the remaining cost of these programs.

**Using this Annual Financial Report**

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

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

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2012?” The Statement of Net Assets and the Statement of Activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District has only one kind of activity:

- Governmental Activities - All of the School District’s educational programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service.

## **Reporting the School District’s Most Significant Funds**

### **Fund Financial Statements**

The analysis of the School District’s major funds begins on page nine. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds, which are the General Fund and the Bond Retirement Debt Service Fund.

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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 School District's fiduciary funds include two private purpose trust funds and an agency fund. The School District has established private purpose trust funds to account for college scholarship programs for its students. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
 Unaudited

Table 1 provides a summary of the School District's net assets for fiscal years 2012 and 2011:

Table 1			
Net Assets			
Governmental Activities			
	2012	2011	Increase/ (Decrease)
<b>Assets</b>			
Current and Other Assets	\$13,524,120	\$13,214,502	\$309,618
Capital Assets, Net	67,859,786	69,849,898	(1,990,112)
Total Assets	<u>81,383,906</u>	<u>83,064,400</u>	<u>(1,680,494)</u>
<b>Liabilities</b>			
Other Liabilities	6,061,720	6,604,305	(542,585)
Long-Term Liabilities	21,882,978	21,865,383	17,595
Total Liabilities	<u>27,944,698</u>	<u>28,469,688</u>	<u>(524,990)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	49,034,313	50,554,063	(1,519,750)
Restricted	4,892,539	4,653,869	238,670
Unrestricted (Deficit)	(487,644)	(613,220)	125,576
Total Net Assets	<u>\$53,439,208</u>	<u>\$54,594,712</u>	<u>(\$1,155,504)</u>

A decrease occurred within Total Assets when compared to the prior fiscal year. Current and Other Assets increased \$309,618 due primarily to an increase in property taxes receivable. Capital Assets, Net decreased \$1,990,112 due to current fiscal year depreciation exceeding current fiscal year additions which also resulted in a decrease in invested in capital assets, net of related debt.

Total Liabilities decreased \$524,990 when compared to the prior fiscal year due to a significant decrease in wages due to the School District paying down remaining contracts before year end and a reduction in principal on outstanding debt.

**Washington Court House City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**Unaudited**

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

Table 2  
Change in Net Assets

	Governmental Activities		Increase/ (Decrease)
	2012	2011	
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,673,611	\$1,593,602	\$80,009
Operating Grants and Contributions	4,223,486	5,011,002	(787,516)
Total Program Revenues	5,897,097	6,604,604	(707,507)
General Revenues:			
Property Taxes	5,615,125	5,383,836	231,289
Revenue in Lieu of Taxes	19,426	19,265	161
Grants and Entitlements not Restricted to Specific Programs	11,356,363	11,803,132	(446,769)
Contributions and Donations	14,943	754	14,189
Investment Earnings	10,567	107	10,460
Miscellaneous	97,565	148,642	(51,077)
Gain on Early Retirement of Capital Lease	0	20,030	(20,030)
Total General Revenues	17,113,989	17,375,766	(261,777)
Total Revenues	\$23,011,086	\$23,980,370	(\$969,284)

*(continued)*

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
 Unaudited

Table 2  
 Change in Net Assets  
 (continued)

	Governmental Activities		Increase/ (Decrease)
	2012	2011	
<b>Program Expenses</b>			
Instruction:			
Regular	\$10,538,995	\$10,459,534	\$79,461
Special	3,133,902	3,307,192	(173,290)
Student Intervention Services	23,121	25,012	(1,891)
Support Services:			
Pupils	835,272	958,985	(123,713)
Instructional Staff	957,995	1,045,545	(87,550)
Board of Education	34,813	55,405	(20,592)
Administration	1,855,760	1,916,789	(61,029)
Fiscal	554,316	566,237	(11,921)
Operation and Maintenance of Plant	2,354,696	1,942,121	412,575
Pupil Transportation	745,985	724,622	21,363
Central	249,438	244,671	4,767
Operation of Non-Instructional Services	1,121,634	1,122,546	(912)
Extracurricular Activities	731,007	739,754	(8,747)
Interest and Fiscal Charges	1,029,656	1,077,363	(47,707)
Total Expenses	24,166,590	24,185,776	(19,186)
Change in Net Assets	(1,155,504)	(205,406)	(950,098)
Net Assets at Beginning of Year	54,594,712	54,800,118	(205,406)
Net Assets at End of Year	\$53,439,208	\$54,594,712	(\$1,155,504)

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues, accounted for \$5,897,097 of total revenues for fiscal year 2012, which reflects a significant decrease from fiscal year 2011. This decrease is primarily the result of the discontinuation of the State Stabilization program which provided monies through the American Reinvestment and Recovery Act and the School District no longer receiving the Education Jobs Grant.

As stated previously, general revenues represent \$17,113,989, or 74 percent, of the School District's total revenues, and reflects an insignificant decrease when compared to the prior fiscal year.

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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As should be expected, Instruction costs represent the largest portion of the School District's expenses, \$13,696,018 for fiscal year 2012. The Instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$2,539,252 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$2,354,696. Therefore, \$18,589,966 of the School District's expenses are related to the primary functions of providing facilities and delivering education. Significant decreases in expenses of the School District from the prior fiscal year are a result of the School District monitoring expenses in anticipation of decreased revenues. Expenses that increased significantly were those related to Operations and Maintenance of Plant as a result of the School District making repairs to assets related to the buildings.

### **The School District's Funds**

Information about the School District's most significant funds starts on page 13. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,612,597 and expenditures of \$22,150,121. The net change in fund balance for the fiscal year was most significant in the General Fund with an increase of \$666,974, which was the result of the increased revenues.

The Bond Retirement Fund balance increased \$144,493. This is the result of the School District receiving property tax revenue during the fiscal year that exceeded necessary debt payments.

### **General Fund - Budget Highlights**

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

During the course of fiscal year 2012, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. Final budgeted revenues, in the amount of \$17,475,433, increased insignificantly when compared to original budgeted revenues in the amount of \$17,194,582. An insignificant increase also existed between the final budget as compared to the actual revenues.

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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The increase in the original budgeted expenditures to the final budgeted expenditures is insignificant. The final budgeted expenditures exceeded actual expenditures by \$206,795.

The General Fund's ending unobligated cash balance was \$232,043 above the final budgeted amount.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

At the end of fiscal year 2012, the School District had \$67,859,786 invested in capital assets (net of accumulated depreciation), a decrease of \$1,990,112. This decrease is due primarily to current year depreciation exceeding current year additions.

For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

### ***Debt***

At June 30, 2012, the School District had \$20,071,177 in bonds and bond premium outstanding, \$460,000 of which is due within one year. The School District also had capital lease obligations outstanding of \$166,462, of which \$43,757 is due within one year. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

### **Current Issues**

A major challenge facing the School District is the level of funding by the Ohio Department of Education. The future is most uncertain with regards to this funding. As a result, the School District's five year forecast demonstrates the need for immediate concern. In the future, the School District will need to make further reductions in force and continue monitor spending or raise additional revenue.

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Ben Teeters, Treasurer at Washington Court House City School District, 306 Highland Avenue, Washington Court House, Ohio 43160 or e-mail [wch\\_tres@mveca.org](mailto:wch_tres@mveca.org).



**Washington Court House City School District**  
*Statement of Net Assets*  
*June 30, 2012*

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$3,363,867
Cash and Cash Equivalents with Fiscal Agent	1,942,050
Cash and Cash Equivalents with Escrow Agent	1,156
Materials and Supplies Inventory	8,230
Inventory Held for Resale	35,551
Accounts Receivable	11,849
Intergovernmental Receivable	1,570,856
Property Taxes Receivable	6,355,146
Revenue in Lieu of Taxes Receivable	19,426
Deferred Charges	215,989
Capital Assets:	
Land	477,521
Depreciable Capital Assets, Net	67,382,265
<i>Total Assets</i>	81,383,906
<b><u>Liabilities:</u></b>	
Accounts Payable	163,321
Accrued Wages and Benefits Payable	1,366,319
Intergovernmental Payable	473,372
Accrued Interest Payable	69,788
Matured Compensated Absences Payable	75,157
Retainage Payable	1,156
Claims Payable	271,547
Deferred Revenue	3,641,060
Long-Term Liabilities:	
Due Within One Year	656,562
Due in More Than One Year	21,226,416
<i>Total Liabilities</i>	27,944,698
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	49,034,313
Restricted for:	
Debt Service	1,777,016
Capital Improvements	1,192,032
Food Service Operations	204,192
School Facilities Maintenance	760,818
Management Information Systems Programs	33,660
Title I Programs	240,398
Title II-A Programs	77,040
Other Purposes	607,383
Unrestricted (Deficit)	(487,644)
<i>Total Net Assets</i>	\$53,439,208

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$10,538,995	\$958,684	\$169,998	(\$9,410,313)
Special	3,133,902	88,919	2,325,098	(719,885)
Vocational	0	0	32,753	32,753
Student Intervention Services	23,121	0	0	(23,121)
Support Services:				
Pupils	835,272	23,005	191,742	(620,525)
Instructional Staff	957,995	0	493,657	(464,338)
Board of Education	34,813	0	0	(34,813)
Administration	1,855,760	0	65,292	(1,790,468)
Fiscal	554,316	0	0	(554,316)
Operation and Maintenance of Plant	2,354,696	20,645	0	(2,334,051)
Pupil Transportation	745,985	0	122,153	(623,832)
Central	249,438	0	0	(249,438)
Operation of Non-Instructional Services:				
Food Service Operations	1,121,634	327,376	762,501	(31,757)
Extracurricular Activities	731,007	254,982	60,292	(415,733)
Interest and Fiscal Charges	1,029,656	0	0	(1,029,656)
<b>Total Governmental Activities</b>	<b>\$24,166,590</b>	<b>\$1,673,611</b>	<b>\$4,223,486</b>	<b>(18,269,493)</b>
 <b><u>General Revenues:</u></b>				
Property Taxes Levied for:				
General Purposes				3,994,158
Other Purposes				83,787
Debt Service				1,166,775
Capital Outlay				370,405
Grants and Entitlements not Restricted to				
Specific Programs				11,356,363
Revenue in Lieu of Taxes				19,426
Contributions and Donations				14,943
Investment Earnings				10,567
Miscellaneous				97,565
<b>Total General Revenues</b>				<b>17,113,989</b>
<b>Change in Net Assets</b>				<b>(1,155,504)</b>
<b>Net Assets at Beginning of Year</b>				<b>54,594,712</b>
<b>Net Assets at End of Year</b>				<b>\$53,439,208</b>

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
*Balance Sheet*  
**Governmental Funds**  
*June 30, 2012*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$57,994	\$1,474,820	\$1,827,717	\$3,360,531
Cash and Cash Equivalents with Fiscal Agent	1,942,050	0	0	1,942,050
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	3,336	0	0	3,336
Cash and Cash Equivalents with Escrow Agent	0	0	1,156	1,156
Receivables:				
Property Taxes	4,399,633	1,393,792	561,721	6,355,146
Revenue In Lieu of Taxes	13,547	4,227	1,652	19,426
Accounts	11,559	0	290	11,849
Intergovernmental	15,698	0	1,555,158	1,570,856
Interfund	763,258	0	0	763,258
Inventory Held for Resale	0	0	35,551	35,551
Materials and Supplies Inventory	0	0	8,230	8,230
<i>Total Assets</i>	<u>\$7,207,075</u>	<u>\$2,872,839</u>	<u>\$3,991,475</u>	<u>\$14,071,389</u>
<b><u>Liabilities and Fund Balances:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$62,059	\$0	\$101,262	\$163,321
Accrued Wages and Benefits Payable	1,242,175	0	124,144	1,366,319
Intergovernmental Payable	424,486	0	48,886	473,372
Interfund Payable	0	0	763,258	763,258
Retainage Payable from Restricted Assets	0	0	1,156	1,156
Matured Compensated Absences Payable	75,157	0	0	75,157
Claims Payable	271,547	0	0	271,547
Deferred Revenue	2,815,108	904,385	1,085,178	4,804,671
<i>Total Liabilities</i>	<u>4,890,532</u>	<u>904,385</u>	<u>2,123,884</u>	<u>7,918,801</u>
<b><u>Fund Balances:</u></b>				
Nonspendable	0	0	8,230	8,230
Restricted	3,336	1,968,454	2,355,633	4,327,423
Assigned	35,099	0	0	35,099
Unassigned (Deficit)	2,278,108	0	(496,272)	1,781,836
<i>Total Fund Balances</i>	<u>2,316,543</u>	<u>1,968,454</u>	<u>1,867,591</u>	<u>6,152,588</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,207,075</u>	<u>\$2,872,839</u>	<u>\$3,991,475</u>	<u>\$14,071,389</u>

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012*

**Total Governmental Fund Balances** \$6,152,588

***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. These assets consist of:

Land	477,521	
Other capital assets	80,551,057	
Accumulated depreciation	(13,168,792)	
Total capital assets	67,859,786	67,859,786

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	449,705	
Intergovernmental	713,880	
Accounts	26	
	1,163,611	1,163,611

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 215,989

In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (69,788)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(19,852,092)	
Bond premium	(219,085)	
Capital leases	(166,462)	
Compensated absences	(1,645,339)	
Total liabilities	(21,882,978)	(21,882,978)

**Net Assets of Governmental Activities** \$53,439,208

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$3,991,782	\$1,166,128	\$453,933	\$5,611,843
Intergovernmental	12,520,232	297,600	3,306,544	16,124,376
Investment Earnings	10,546	0	21	10,567
Tuition and Fees	1,047,577	0	0	1,047,577
Rent	0	0	20,645	20,645
Extracurricular Activities	23,005	0	246,690	269,695
Contributions and Donations	14,890	0	60,345	75,235
Customer Sales and Services	0	0	335,668	335,668
Revenue in Lieu of Taxes	13,547	4,227	1,652	19,426
Miscellaneous	97,415	0	150	97,565
<b>Total Revenues</b>	<b>17,718,994</b>	<b>1,467,955</b>	<b>4,425,648</b>	<b>23,612,597</b>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	9,337,309	0	174,020	9,511,329
Special	1,945,488	0	796,680	2,742,168
Student Intervention Services	23,121	0	0	23,121
Support Services:				
Pupils	567,575	0	182,386	749,961
Instructional Staff	378,257	0	470,416	848,673
Board of Education	27,294	0	0	27,294
Administration	1,551,364	0	72,057	1,623,421
Fiscal	471,795	38,301	14,908	525,004
Operation and Maintenance of Plant	1,421,217	0	143,815	1,565,032
Pupil Transportation	610,192	0	86,569	696,761
Central	254,230	0	0	254,230
Operation of Non-Instructional Services:				
Food Service Operations	0	0	978,164	978,164
Extracurricular Activities	293,431	0	293,516	586,947
Capital Outlay	5,200	0	672,175	677,375
Debt Service:				
Principal Retirement	12,021	440,000	28,387	480,408
Interest and Fiscal Charges	3,499	845,161	11,573	860,233
<b>Total Expenditures</b>	<b>16,901,993</b>	<b>1,323,462</b>	<b>3,924,666</b>	<b>22,150,121</b>
Excess of Revenues Over Expenditures	817,001	144,493	500,982	1,462,476
<b><u>Other Financing Sources/(Uses):</u></b>				
Transfers In	0	0	173,097	173,097
Transfers Out	(150,027)	0	(23,070)	(173,097)
<b>Total Other Financing Source/(Uses)</b>	<b>(150,027)</b>	<b>0</b>	<b>150,027</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>666,974</b>	<b>144,493</b>	<b>651,009</b>	<b>1,462,476</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,649,569</b>	<b>1,823,961</b>	<b>1,216,582</b>	<b>4,690,112</b>
<b>Fund Balances at End of Year</b>	<b>\$2,316,543</b>	<b>\$1,968,454</b>	<b>\$1,867,591</b>	<b>\$6,152,588</b>

See accompanying notes to the basic financial statements

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

**Net Change in Fund Balances - Total Governmental Funds** \$1,462,476

***Amounts reported for governmental activities in the  
Statement of Activities are different because:***

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	107,738	
Depreciation expense	<u>(2,097,850)</u>	
Excess of depreciation expense over capital outlay		(1,990,112)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	3,282	
Intergovernmental	(604,819)	
Tuition and Fees	<u>26</u>	
		(601,511)

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. These amounts consist of:

Decrease in accrued interest	1,284	
Amortization of bond issuance costs	(10,046)	
Accretion on Capital Appreciation bonds	(170,851)	
Amortization of bond premium	<u>10,190</u>	
		(169,423)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Bond payments	440,000	
Capital lease payments	<u>40,408</u>	
Total long-term debt repayment		480,408

Some items 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. These activities consist of:

Increase in compensated absences payable		<u>(337,342)</u>
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**Change in Net Assets of Governmental Activities** (\$1,155,504)

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budget Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$4,284,660	\$3,996,425	\$3,996,425	\$0
Intergovernmental	11,865,325	12,388,368	12,388,368	0
Investment Earnings	9,270	9,674	9,674	0
Tuition and Fees	1,003,314	1,047,542	1,047,542	0
Miscellaneous	32,013	33,424	33,450	26
<i>Total Revenues</i>	17,194,582	17,475,433	17,475,459	26
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	9,367,677	9,612,618	9,544,638	67,980
Special	2,024,793	2,080,816	2,144,354	(63,538)
Student Intervention Services	22,502	23,121	23,121	0
Other	0	0	615	(615)
Support Services:				
Pupils	560,498	575,933	537,409	38,524
Instructional Staff	386,373	386,273	365,643	20,630
Board of Education	28,107	28,021	28,276	(255)
Administration	1,636,801	1,679,805	1,690,232	(10,427)
Fiscal	483,468	494,593	496,151	(1,558)
Operation and Maintenance of Plant	1,735,800	1,763,210	1,639,611	123,599
Pupil Transportation	632,569	646,931	639,176	7,755
Central	240,735	241,316	213,540	27,776
Extracurricular Activities	290,599	298,639	298,530	109
Capital Outlay	1,946	2,000	5,189	(3,189)
<i>Total Expenditures</i>	17,411,868	17,833,276	17,626,485	206,791
Excess of Revenues Over/(Under) Expenditures	(217,286)	(357,843)	(151,026)	206,817
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	958	1,000	1,000	0
Transfers Out	(29,413)	(30,226)	(5,000)	25,226
<i>Total Other Financing Sources (Uses)</i>	(28,455)	(29,226)	(4,000)	25,226
<i>Net Change in Fund Balance</i>	(245,741)	(387,069)	(155,026)	232,043
<i>Fund Balance at Beginning of Year</i>	595,199	595,199	595,199	0
<i>Prior Year Encumbrances Appropriated</i>	58,722	58,722	58,722	0
<i>Fund Balance at End of Year</i>	\$408,180	\$266,852	\$498,895	\$232,043

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2012*

	Private Purpose Trust Funds	Agency
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$715,156	\$47,547
<b><u>Liabilities:</u></b>		
Undistributed Monies	0	\$47,547
<b><u>Net Assets:</u></b>		
Held in Trust for Scholarships	\$715,156	

See accompanying notes to the basic financial statements



**Washington Court House City School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2012**

	Private Purpose Trust
<b><u>Additions:</u></b>	
Contributions and Donations	\$120,716
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	41,730
<i>Increase in Net Assets</i>	78,986
<i>Net Assets at Beginning of Year</i>	636,170
<i>Net Assets at End of Year</i>	\$715,156

See accompanying notes to the basic financial statements

***Washington Court House City School District***

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

Washington Court House City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The heritage of the Washington Court House City Schools began in 1813 when Samuel Loofborrow converted half of his double log cabin at the corner of Hinde and Paint Streets into a subscription school supported by the parents of his pupils.

Numerous one-room schools sprang up throughout the community during the 1800's. By 1856, a site on North Street was purchased and a new two-story eight-room school was built. In 1872, the building was upgraded and shortly thereafter, the system was approved as what was known as a "first grade" school which allowed it to conduct high school level courses.

In 1876, the Washington High School and Fayette County had its first high school graduates when three students, a boy and two girls, received their diplomas after studying Latin, Greek, French, logic, trigonometry, mental and moral philosophy and natural sciences using college textbooks.

The School District owns nine facilities: two elementary buildings (Cherry Hill and Belle Aire), two middle schools (Washington Middle School and historical middle school), one high school (Washington High School), one Educational Service Center (School District office), Gardner Park Sports Complex, High School Athletic Complex, and Liberty Hall.

The School District is located in Fayette County and is staffed by 84 non-certificated employees, and 158 certificated employees who provide services to 2,376 students and other community members.

*Reporting Entity*

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

*(continued)*

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

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 17 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Miami Valley Educational Computer Association  
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pool:

South Central Ohio Insurance Consortium

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

The financial statements of the Washington Court House City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**Basis of Presentation**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Government-wide Financial Statements*

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements ordinarily distinguish between those activities of the School District that are governmental and those that are considered business-type. However, the School District has no activities that are classified as business-type.

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

*Fund Financial Statements*

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

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District fall within two categories: governmental and fiduciary.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Governmental Funds*

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

General Fund - The General Fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Debt Service Fund - The Bond Retirement Debt Service Fund is established to account for and report the accumulation of resources restricted for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

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

*Fiduciary Funds*

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Measurement Focus**

*Government-wide Financial Statements*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

*Fund Financial Statements*

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

The private purpose trust fund is reported using the economic resources measurement focus.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the 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 that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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

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

*Deferred Revenue*

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

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

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

*Expenses/Expenditures*

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

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District has monies held in escrow for retainage related to the school facilities project. These amounts are presented as "Restricted Assets: Cash and Cash Equivalents with Escrow Agent" on the financial statements.

"Cash and Cash Equivalents with Fiscal Agent" represents monies on hand at the fiscal agent for medical insurance cash balances for the self-insurance program which began on July 1, 2007, with the South Central Ohio Insurance Consortium.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$10,546, which includes \$8,331 assigned from other School District funds.

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

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set aside by the School District for unspent grant monies restricted for the purchase of buses. Restricted assets in the Ohio School Facilities Construction Capital Projects Fund represent monies still owed to contractors for retainage.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of purchased food held for resale and consumable materials and supplies.



*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	5 - 10 years
Textbooks	5 - 15 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On the governmental fund financial statements compensated absences are recognized as liabilities and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

**Accrued Liabilities and Long-Term Obligations**

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

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

**Fund Balance**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Nonspendable*

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

*Restricted*

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

*Committed*

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

*Assigned*

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

*Unassigned*

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

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, capital grants used for the construction of new facilities, and federal and State grants restricted to expenditures for specified purposes.

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

**Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

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

**Estimates**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Budgetary Process**

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

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

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

**Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds**

For governmental activities, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges. On the fund financial statements, bond premiums are reported as Other Financing Sources and issuance costs are reported as expenditures when the debt is issued. Accretion on the capital appreciation bonds are not reported.

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**NOTE 3 – FUND BALANCES**

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Materials and Supplies Inventory	\$0	\$0	\$8,230	\$8,230
<b><i>Restricted for</i></b>				
Bus Purchases	3,336	0	0	3,336
Debt Payment	0	1,968,454	0	1,968,454
Food Service Operations	0	0	195,962	195,962
School Facilities Maintenance	0	0	753,970	753,970
District Managed Activities	0	0	189,461	189,461
Management Information Systems	0	0	33,660	33,660
Miscellaneous Grants	0	0	21,480	21,480
Capital Improvements	0	0	1,161,100	1,161,100
<b><i>Total Restricted</i></b>	<b>3,336</b>	<b>1,968,454</b>	<b>2,355,633</b>	<b>4,327,423</b>
<b><i>Assigned to</i></b>				
Other Purposes	35,099	0	0	35,099
<b><i>Unassigned (Deficit)</i></b>	<b>2,278,108</b>	<b>0</b>	<b>(496,272)</b>	<b>1,781,836</b>
<b><i>Total Fund Balances</i></b>	<b>\$2,316,543</b>	<b>\$1,968,454</b>	<b>\$1,867,591</b>	<b>\$6,152,588</b>

**NOTE 4 – ACCOUNTABILITY**

At June 30, 2012, the Race to the Top, Special Education Part B-IDEA, Title I, IDEA Preschool Grant, and the Title II-A, Improving Teacher Quality Special Revenue Funds, as well as the New Building Locally Funded Capital Projects Fund had deficit fund balances of \$12,627, \$83,864, \$155,224, \$1,383, \$5,830, and \$237,344, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

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

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget 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 (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Certain funds are accounted for as separate funds internally within legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

Net Change in Fund Balance	
	General Fund
GAAP Basis	\$666,974
Adjustments:	
Revenue Accruals	(242,535)
Expenditure Accruals	(655,428)
Transfers	145,027
Encumbrances	(69,064)
Budget Basis	(\$155,026)

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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



*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 6 – DEPOSITS AND INVESTMENTS** *(continued)*

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

At June 30, 2012, the School District had a balance of \$1,942,050 with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool (See Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

**NOTE 7 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected in calendar year 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Washington Court House City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 7 – PROPERTY TAXES** *(continued)*

The Fayette County Treasurer collects property taxes on behalf of all local governments in the County. The Fayette County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit of deferred revenue.

The amounts available as an advance at June 30, 2012, were \$2,283,807 and are recognized as revenue: \$1,598,098 in the General Fund, \$493,634 in the Bond Retirement Debt Service Fund, and \$192,075 in the Other Governmental Funds. The amounts available as an advance at June 30, 2011, were \$2,274,655 and consisted of: \$1,589,194 in the General Fund, \$493,633 in the Bond Retirement Debt Service Fund, \$191,828 in the Other Governmental Funds.

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

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$216,420,970	98.11%	\$213,839,270	98.07%
Public Utility Personal	4,176,740	1.89%	4,199,430	1.93%
Total Assessed Value	<u>\$220,597,710</u>	<u>100.00%</u>	<u>\$218,038,700</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.85		\$45.15	

The School District's tax rate per \$1,000 of assessed valuation decreased as a result of a 1999 levy for 2.7 mills expiring.

**Washington Court House City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 7 – PROPERTY TAXES** (continued)

**Revenue in Lieu of Taxes**

The School District is party to Tax Increment Financing (TIF) agreements. Municipalities, townships, and counties can enter into TIF agreements which lock in real property at its unimproved value for up to 30 years in a defined TIF district. Some TIF agreements also require the TIF government to allocate service payments to school districts and other governments to help offset the property taxes these governments would have received had the improvements to real property not been exempted. The service payments that the School District receives as part of TIF agreements are presented on the financial statements as Revenue in Lieu of Taxes.

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2012, consisted of property taxes, revenue in lieu of taxes, accounts, intergovernmental grants, and interfund. All receivables are considered collectible in full and will be received within one year with the exception of property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Ohio School Facilities Commission	\$841,278
Other Governmental Funds:	
Title I	395,622
Title I, School Improvement, Sub A	42,366
Special Education, Part B-IDEA	129,385
Race to the Top	47,789
Title II-A, Improving Teacher Quality	82,870
Title VI-B, Rural and Low-Income	11,545
Early Childhood Special Education, IDEA	4,303
SERS Receivable	15,698
Total Intergovernmental Receivables	<u><u>\$1,570,856</u></u>

The School District was awarded a grant in the amount of \$39,694,272 on June 20, 2005, from the Ohio School Facilities Commission for the construction of new facilities. During fiscal year 2008, the award amount was increased to \$47,264,522.

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 9 – CAPITAL ASSETS**

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

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/12</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$477,521	\$0	\$0	\$477,521
Capital Assets Being Depreciated:				
Land Improvements	6,010,701	0	0	6,010,701
Buildings and Improvements	69,995,583	0	0	69,995,583
Furniture, Fixtures, and Equipment	2,102,841	28,500	0	2,131,341
Vehicles	1,529,916	79,238	(66,622)	1,542,532
Textbooks	870,900	0	0	870,900
Total Capital Assets Being Depreciated	<u>80,509,941</u>	<u>107,738</u>	<u>(66,622)</u>	<u>80,551,057</u>
Less Accumulated Depreciation:				
Land Improvements	(3,067,080)	(510,825)	0	(3,577,905)
Buildings and Improvements	(5,195,639)	(1,381,538)	0	(6,577,177)
Furniture, Fixtures, and Equipment	(670,393)	(164,283)	0	(834,676)
Vehicles	(1,333,552)	(41,204)	66,622	(1,308,134)
Textbooks	(870,900)	0	0	(870,900)
Total Accumulated Depreciation	<u>(11,137,564)</u>	<u>(2,097,850) *</u>	<u>66,622</u>	<u>(13,168,792)</u>
Total Capital Assets Being Depreciated, Net	<u>69,372,377</u>	<u>(1,990,112)</u>	<u>0</u>	<u>67,382,265</u>
Governmental Activities				
Capital Assets, Net	<u>\$69,849,898</u>	<u>(\$1,990,112)</u>	<u>\$0</u>	<u>\$67,859,786</u>

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 9 – CAPITAL ASSETS** (continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$861,533
Special	337,509
Support Services:	
Pupils	61,991
Instructional Staff	92,899
Board of Education	7,519
Administration	179,087
Fiscal	27,552
Operation and Maintenance of Plant	144,527
Pupil Transportation	107,448
Central	208
Operation of Non-Instructional Services:	
Food Service Operations	136,899
Extracurricular Activities	140,678
Total Depreciation Expense	<u><u>\$2,097,850</u></u>

**NOTE 10 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$4,000,000 in the general aggregate. Other liability insurance includes \$2,000,000 for automobile liability. The School District maintains replacement cost insurance on buildings and contents in the blanket amount of \$83,801,146.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior fiscal year.

The School District pays all elected and appointed officials' bonds by statute.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 10 – RISK MANAGEMENT** *(continued)*

The School District provides a limited medical, surgical, and prescription drug insurance program for its employees. The School District joined the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool (Note 17), on July 1, 2005. As of July 1, 2005, the School District’s medical, surgical, and prescription drug was considered traditional premium insurance. Beginning July 1, 2007, medical, surgical, and prescription drug were all considered self-insured programs due to the School District retaining the risk. Claims are paid by the School District to the SCOIC. SCOIC contracts with Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) for claims servicing. OME-RESA contracts with Employee Benefits Management Corporation (EBMC) to service the claims of SCOIC members. The School District pays monthly medical premiums of up to \$1,623 for certified and classified employees for family coverage and up to \$591 for certified and classified employees for single coverage. The premiums paid are used for claims, claim reserves, and administrative costs. The School District had shared risk pool coverage with OME-RESA which covered individual claims in excess of \$50,000 up to \$400,000 per employee per year for medical claims. The School District also had a stop loss coverage insurance policy through SCOIC which covered individual claims in excess of \$400,000 per employee per year for medical claims.

The claims liability of \$271,547 reported in the General Fund at June 30, 2012, is based on an estimate provided by an actuary for medical claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years, including medical, surgical, and prescription drug, are as follows:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2011	\$383,051	\$1,599,827	\$1,801,125	\$181,753
2012	181,753	2,213,043	2,123,249	271,547

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** *(continued)*

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$301,268, \$294,000, and \$370,356, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

**State Teachers Retirement System of Ohio**

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

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** *(continued)*

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,156,985, \$1,290,114, and \$1,215,706, respectively. For fiscal year 2012, 82.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$7,684 made by the School District and \$5,488 made by the plan members. In addition, member contributions of \$22,624 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

**NOTE 12 – POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

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



*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 12 – POSTEMPLOYMENT BENEFITS** *(continued)*

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$33,371 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$46,418, \$49,354, and \$50,164, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$17,791, \$7,562, and \$22,024, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

**State Teachers Retirement System of Ohio**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 12 – POSTEMPLOYMENT BENEFITS** *(continued)*

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$88,999, \$99,240, and \$93,516, respectively. For fiscal year 2012, 82.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**NOTE 13 – EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators up to a maximum of 50 days upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for teachers and classified employees.

**Insurance**

The School District provides medical, surgical, prescription drug, and vision coverage to employees through the South Central Ohio Insurance Consortium (Note 17).

The School District also provides dental insurance through Delta Dental.

**Deferred Compensation**

School District employees may participate in the ING Financial Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 14 – LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the School District entered into capitalized leases for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The copier equipment acquired by lease was initially capitalized in the amount of \$228,068 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. During fiscal year 2012, principal payments totaled \$40,408 and were paid from the General Fund and the Permanent Improvement Fund.

The assets acquired through capital leases as of June 30, 2012, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Copier Equipment	\$228,068	(\$60,761)	\$167,307

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

	Fiscal Year Ending June 30,	Total Payments
	2013	\$55,479
	2014	55,479
	2015	50,002
	2016	30,560
Total		191,520
Less: Amount Representing Interest		(25,058)
Present Value of Net Minimum Lease Payments		\$166,462

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 15 – LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deductions	Amount Outstanding 6/30/12	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2005 Various Purpose School Improvement Bonds:					
Term Bonds 4.375 to 5.00%	\$15,755,000	\$0	\$0	\$15,755,000	\$0
Serial Bonds 3.00 to 4.15%	2,540,000	0	440,000	2,100,000	460,000
Capital Appreciation Bonds 1.452%	1,020,000	0	0	1,020,000	0
Accretion on Capital Appreciation Bonds	806,241	170,851	0	977,092	0
Premium on Debt Issue	229,275	0	10,190	219,085	0
Compensated Absences	1,307,997	604,861	267,519	1,645,339	152,805
Capital Leases	206,870	0	40,408	166,462	43,757
Total Governmental Activities					
Long-Term Obligations	<u>\$21,865,383</u>	<u>\$775,712</u>	<u>\$758,117</u>	<u>\$21,882,978</u>	<u>\$656,562</u>

**2005 Various Purpose School Improvement General Obligation Bonds**

On October 1, 2005, the School District issued \$21,000,000 in voted general obligation bonds for the purpose of constructing new classroom facilities. Current interest bonds were issued in an aggregate principal amount of \$19,980,000. Of these bonds, \$4,225,000 are serial bonds and \$15,755,000 are term bonds. The bonds were issued for a 28 year period with final maturity in December 2034. The bonds will be retired from the Bond Retirement Debt Service Fund.

The term bonds, issued at \$15,755,000 and maturing on December 1, 2034, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the fiscal years and in the respective principal amounts as follows:

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 15 – LONG-TERM OBLIGATIONS** *(continued)*

Year	Amount
2019	\$625,000
2020	650,000
2021	685,000
2022	720,000
2023	755,000
2024	880,000
2025	925,000
2026	970,000
2027	1,015,000
2028	1,070,000
2029	1,075,000
2030	1,130,000
2031	1,230,000
2032	1,285,000
2033	1,340,000
2034	1,400,000
Total	\$15,755,000

The serial bonds issued at \$4,225,000, with maturity dates of December 1, 2006, to December 1, 2018, are subject to optional redemption, in whole or in part on any date at the option of the issuer on or after December 1, 2010, at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$1,020,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2016 and 2017, with a maturity amount of \$1,374,602 and \$1,374,599 in fiscal years 2016 and 2017, respectively. For fiscal year 2012, the capital appreciation bonds were accreted \$170,851.

Compensated absences will be paid from the General, Food Service, New Building Project Maintenance, Special Education Part B-IDEA, Title I, and Title II-A Improving Teacher Quality Funds. Capital lease obligations will be paid from the General Fund and the Permanent Improvement Fund.

The School District's overall legal debt margin was \$2,716,937 with an unvoted debt margin of \$218,039 at June 30, 2012.

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**NOTE 15 – LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012, are as follows:

Various Purpose School Improvement General Obligation Bonds - 2005							
Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Interest	Total
2013	\$0	\$0	\$460,000	\$828,837	\$0	\$0	\$1,288,837
2014	0	0	475,000	811,305	0	0	1,286,305
2015	0	0	570,000	790,998	0	0	1,360,998
2016	0	0	0	0	513,690	860,912	1,374,602
2017	0	0	0	0	506,310	868,289	1,374,599
2018-2022	2,680,000	2,759,624	595,000	767,252	0	0	6,801,876
2023-2027	4,545,000	2,566,905	0	0	0	0	7,111,905
2028-2032	5,790,000	1,289,328	0	0	0	0	7,079,328
2033-2034	2,740,000	121,188	0	0	0	0	2,861,188
Total	<u>\$15,755,000</u>	<u>\$6,737,045</u>	<u>\$2,100,000</u>	<u>\$3,198,392</u>	<u>\$1,020,000</u>	<u>\$1,729,201</u>	<u>\$30,539,638</u>

**NOTE 16 – INTERFUND ACTIVITY**

As of June 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<b>Receivable</b>
	General
<b>Payable</b>	
Other Governmental Funds	<u>\$763,258</u>

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL**

**Jointly Governed Organizations**

*Miami Valley Educational Computer Association*

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 24 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a Board of Directors consisting of superintendents and treasurers of the members' school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board exercises total control over the operation of MVECA, including budgeting, appropriating, contracting and designating management. The School District paid MVECA \$107,933 for services during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Director, at 330 E. Enon Road, Yellow Springs, Ohio 45387.

*Southwestern Ohio Educational Purchasing Council*

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 126 school districts in 18 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. The Council exercises total control over the operation of SOEPC, including budgeting, appropriating, contracting and designating management. All member districts are obligated to pay all fees, charges, or other assessments as established by SOEPC. Each member district has one voting representative. Any district withdrawing from SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. During fiscal year 2012, the School District paid \$1,222 to SOEPC for membership. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE**  
**PURCHASING POOL** *(continued)*

**Insurance Purchasing Pool**

*South Central Ohio Insurance Consortium*

The School District is a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. Members include the following school districts and governmental entities: Amanda Clearcreek Local School District, Berne Union Local School District, Bloom-Carroll Local School District, Canal Winchester Local School District, Fairfield Union Local School District, Lancaster City School District, Fairfield County Board of Mental Retardation, City of Lancaster, Liberty Union-Thurston Local School District, Miami Trace Local School District, and Washington Court House City Schools. The Liberty Union-Thurston Local School District serves as the fiscal agent for the SCOIC.

SCOIC contracts with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool, for medical, and prescription drug coverage on a self-insured basis. The SCOIC members are considered self-insured and pay a monthly premium to OME-RESA that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. An additional fee is paid for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. SCOIC members participate in the shared risk pool through OME-RESA for individual claims from \$50,000 to \$400,000. SCOIC members are then covered under stop loss coverage for claims over \$400,000. OME-RESA contracts with Employee Benefits Management Corporation to service the claims of SCOIC members. In the event that the School District would withdraw from SCOIC, the School District would be required to give a 180 day notice prior to the end of their three year contract, be responsible for all run-out claims, and would have no rights to share in any surplus funds of SCOIC. In the event SCOIC members would withdraw from OME-RESA, SCOIC members would be required to give a 30 day notice, be responsible for all run-out claims, and have no rights to share in any surplus funds of OME-RESA. To obtain financial information for the SCOIC, write to the fiscal agent, Liberty Union-Thurston Local School District, 600 Washington Street, Baltimore, Ohio 43105.



*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 18 – SET-ASIDE CALCULATIONS**

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

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

	Capital Acquisitions
Set-aside Balance as of June 30, 2011	\$0
Current Fiscal Year Set-aside Requirement	401,907
Qualifying Disbursements	(479,524)
Set-aside Balance as of June 30, 2012	(\$77,617)
Required Set-aside Balances Carried Forward to Fiscal Year 2013	\$0

Although the School District had offsets and qualifying expenditures for capital acquisitions that exceeded the set-aside requirements, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore are not presented as being carried forward to the next fiscal year. In previous fiscal years, the School District was required to have a textbook set-aside requirement. Effective July 1, 2011, House Bill 30 of the 129th General Assembly repealed the textbook reserve requirement.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 19 – CONTINGENCIES**

**Grants**

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

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

**Litigation**

During the fiscal year, the School District entered into litigation with Miami Trace Local School District involving the annexation of property. The School District's legal counsel estimates that the potential judgment against the School District resulting from the proceedings would not materially affect the financial statements of the School District.

**NOTE 20 – CHANGE IN ACCOUNTING ESTIMATE**

For fiscal year 2012, the School District has increased its estimate of sick leave severance liability based on an increase in the number of retirees and related sick leave severance payments which are used in calculating the liability. There was no effect on prior year financial statements due to this change having a prospective effect as of July 1, 2011.

Washington Court House City School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 34,240	34,240
<i>Cash Assistance:</i>				
School Breakfast Program	05PU-2012	10.553	190,077	190,077
National School Lunch Program	LLP4-2012	10.555	523,301	523,301
<i>Cash Assistance Subtotal</i>			<u>713,378</u>	<u>713,378</u>
Nutrition Cluster Total			<u>747,618</u>	<u>747,618</u>
Total U.S. Department of Agriculture			<u>747,618</u>	<u>747,618</u>
<b>U.S. Department of Education:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	C1S1-2011	84.010	173,724	89,258
Title I Grants to Local Educational Agencies	C1S1-2012	84.010	607,728	642,921
ARRA - Title I Grants to Local Educational Agencies	n/a	84.389	4,242	9,037
			<u>785,694</u>	<u>741,216</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2011	84.027	121,170	61,839
Special Education - Grants to States	6BSF-2012	84.027	405,390	414,579
ARRA - Special Education - Grants to States	n/a	84.391	38,971	43,832
Special Education - Preschool Grants	PGS1-2011	84.173	-	253
Special Education - Preschool Grants	PGS1-2012	84.173	3,049	4,537
ARRA - Special Education - Preschool Grants	n/a	84.392	11,216	862
			<u>579,796</u>	<u>525,902</u>
Safe and Drug-Free Schools and Communities	DRS1-2012	84.186	72,454	72,454
Education Technology State Grants	TJS1-2011	84.318	535	573
Rural Education	RUSL-2011	84.358	9,283	199
Rural Education	RUSL-2012	84.358	38,075	37,575
			<u>47,358</u>	<u>37,774</u>
Improving Teacher Quality State Grants	TRS1-2011	84.367	30,358	20,690
Improving Teacher Quality State Grants	TRS1-2012	84.367	57,475	58,983
			<u>87,833</u>	<u>79,673</u>
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	n/a	84.395	144,914	101,195
Education Jobs Fund	n/a	84.410	91,262	44,532
<i>(Passed through Great Oaks Institute of Technology and Career Development)</i>				
Career and Technical Education - Basic Grants to States	n/a	84.048	5,100	6,251
Total U.S. Department of Education			<u>1,814,946</u>	<u>1,609,570</u>
Total Federal Awards			\$ <u>2,562,564</u>	<u>2,357,188</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE C - NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Washington Court House City School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District ("School District") as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

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 to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the School District in a separate letter dated January 28, 2013.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
January 28, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Washington Court House City School District:

Compliance

We have audited Washington Court House City School District's ("School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

Internal Control Over Compliance

Management of the School District 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 District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion 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 expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items 2012-1. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the Board of Education, management, others within the entity, the Ohio Auditor of State and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
January 28, 2013

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? yes

Identification of major programs:

*CFDA 84.395 – ARRA – Race-to-the-Top*

*Title I, Part A Cluster:*

*CFDA 84.010 – Title I Grants to Local Educational Agencies*

*CFDA 84.389 – ARRA - Title I Grants to Local Educational Agencies*

*Special Education Cluster:*

*CFDA 84.027 – Special Education Grants to States*

*CFDA 84.391 – ARRA - Special Education Grants to States*

*CFDA 84.173 – Special Education Preschool Grants*

*CFDA 84.392 – ARRA - Special Education Preschool Grants*

Dollar threshold to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? yes



## Section II - Financial Statement Findings

None noted.

## Section III – Federal Award Findings and Questioned Costs

### DEPARTMENT OF EDUCATION

#### **Finding 2012-1** - Special Education Cluster - CFDA No's. 84.027, 84.391, 84.173, and 84.392 Title I Cluster – CFDA No's 84.010 and 84.389

*Condition:* We performed tests to determine if the School District was properly documenting time and effort of employees working on federal programs. We noted one employee, who worked 50% of her time on the Special Education Cluster and 50% on the Title I Cluster, completed a semi-annual certification, certifying she worked 100% of her time on both programs.

*Criteria:* OMB Circular A-87, Attachment B states that where employees work on multiple activities of cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

*Effect:* Lack of proper documentation could result in disallowed costs for the School District's federal programs.

*Cause:* The School District lacked procedures to ensure the proper completion of time and effort documentation.

*Recommendation:* We recommend the School District implement procedures to ensure employees who work on multiple cost objectives are completing personnel activity reports or equivalent documentation.

***Management response:*** *The district has requested the Special Education Director make sure that time and effort sheets are signed and filed with the Treasurer before each payroll.*

**Finding 2011-1 – Audit Adjustments**

During the course of our audit, we identified misstatements in the financial statements for the year under audit that were not initially identified by the School District's internal controls. Throughout the year, the School District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustments were necessary to correct errors in the School District's conversion process. Description of the adjustments follows:

- **Accounts Payable:** An accounts payable liability was recorded in the Ohio School Facilities Fund in the amount of \$32,285 which should have been recorded in the New Building Fund.
- **Accrued Wages and Benefits:** At year end, the School District recorded a liability and an expenditure relating to accrued wages and benefits in the State Fiscal Stabilization Grant. However, since the grant funding for this fund ceased at June 30, 2011, the liability should have been recorded in the General Fund.

**Status:** Corrected.

**Finding 2011-2 - Special Education Cluster - CFDA No's. 84.027, 84.391, 84.173, and 84.392  
Title I Cluster – CFDA No's 84.010 and 84.389**

*Condition:* We performed tests to determine if the School District was properly documenting time and effort of employees working on federal programs. We noted one employee, who worked 50% of her time on the Special Education Cluster and 50% on the Title I Cluster, completed a semi-annual certification, certifying she worked 100% of her time on both programs.

*Recommendation:* We recommend the School District implement procedures to ensure employees who work on multiple cost objectives are completing personnel activity reports or equivalent documentation.

**Status:** Repeated as Finding 2012-1.

**Finding 2011-3 – State Fiscal Stabilization Fund – ARRA – CFDA No. 84.394**

*Condition:* We performed cash management compliance tests to determine if the School District was minimizing the time that elapsed between the receipt of funding from the Ohio Department of Education (ODE) and the disbursement of the funds. We noted the School District did not always spend the monthly amounts received through state Foundation payments in accordance with policies stipulated by the ODE.

*Recommendation:* We recommend the School District implement cash management procedures to ensure compliance with all federal requirements.

**Status:** Corrected.



# Dave Yost • Auditor of State

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT

FAYETTE 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 21, 2013