

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

Single Audit

For the Fiscal Year Ended June 30, 2010







# Dave Yost • Auditor of State

Board of Directors  
Reynoldsburg City School District  
7244 East Main Street  
Reynoldsburg, Ohio 43068

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Reynoldsburg 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 24, 2011

**This Page is Intentionally Left Blank.**

**REYNOLDSBURG CITY SCHOOL DISTRICT.  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

**JUNE 30, 2010**

|  | <u>Page</u> |         |
|--|-------------|---------|
| Independent Accountants' Report.....   | 1-2         |         |
| Management's Discussion & Analysis.....  | 3-14        |         |
| Basic Financial Statements   |             |         |
| Government-Wide Financial Statements:  |             |         |
| Statement of Net Assets.....   | 15          |         |
| Statement of Activities.....   | 16-17       |         |
| Fund Financial Statements  |             |         |
| Balance Sheet – Governmental Funds.....  | 18-19       |         |
| Reconciliation of the Governmental Funds Balance Sheet<br>to the Statement of Net Assets.....  | 21          |         |
| Statement of Revenues, Expenditures, and Changes<br>in Fund Balances – Governmental Funds.....   | 22-23       |         |
| Reconciliation of the Statement of Revenues, Expenditures, and<br>and Changes in Fund Balances of Governmental Funds to the<br>Statement of Activities.....                              | 24          |         |
| Statement of Revenues, Expenditures, and Changes in Fund<br>Balance – Budget and Actual (Budget Basis) – General Fund.....   | 25          |         |
| Statement of Net Assets – Proprietary Funds.....   | 26          |         |
| Statement of Revenues, Expenditures, and Changes<br>in Fund Balances – Proprietary Funds.....  | 27          |         |
| Statement of Cash Flows – Proprietary Funds.....   | 28          |         |
| Statement of Fiduciary Net Assets – Fiduciary Funds.....   | 29          |         |
| Statement of Changes in Fiduciary Net Assets.....  | 30          |         |
| Notes to the Basic Financial Statements.....   | 31-96       |         |
| Schedule of Receipts and Expenditures of Federal Awards.....   | 97          |         |
| Notes to the Schedule of Receipts and Expenditures of Federal Awards.....  | 98          |         |
| Independent Accountants' Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required Government Auditing Standards.....                       |             | 99-100  |
| Independent Accountants' Report on Compliance with Requirements<br>Applicable to Each Major Federal Programs and Internal Control<br>Over Compliance Required by OMB Circular A-133..... |             | 101-102 |
| Schedule of Findings.....  | 103-104     |         |
| Summary Schedule of Prior Audit Findings.....  | 105         |         |

**This Page is Intentionally Left Blank.**

## INDEPENDENT ACCOUNTANTS' REPORT

Reynoldsburg City School District  
Franklin County  
7244 East Main Street  
Reynoldsburg, Ohio 43068

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, 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 27, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC

January 27, 2011

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

As management of the Reynoldsburg City School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by approximately \$76.9 million (net assets). Of this amount, \$789,954 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased by approximately \$3.4 million, or 4.6%, in comparison with the prior fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$82.0 million, an increase of approximately \$15.1 million in comparison with prior fiscal year.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was approximately negative \$3.3 million.
- The District's net capital assets increased by approximately \$21.6 million during the current fiscal year.

**Overview of the Financial Statements**

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, support services, extracurricular activities, food service, and other non-instructional services. The District has no business-type activities.

The government-wide financial statements include not only the District itself (known as the primary government), but also two legally separate component units. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-17 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 18-25 of this report.

**Proprietary Funds.** There are two types of proprietary funds: 1) enterprise funds, and 2) internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District has no enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

The District uses an internal service fund to account for its self-insurance program. These services have been included with governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 29-30.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 31-96 of this report.

**Government-wide Financial Analysis**

The table below provides a summary of the District's net assets for 2010 and 2009.

|   | <u>2010</u>                 | <u>2009</u>                 | <u>Change</u> |
|---|-----------------------------|-----------------------------|---------------|
| Current and Other Assets                          | \$ 137,365,398              | \$ 150,814,431              | -8.92%        |
| Capital Assets, Net                               | 100,369,064                 | 78,812,717                  | 27.35%        |
| <b>Total Assets</b>                               | <b><u>237,734,462</u></b>   | <b><u>229,627,148</u></b>   | <b>3.53%</b>  |
| Current Liabilities and Other                     | 38,207,410                  | 29,913,388                  | 27.73%        |
| Long-term Liabilities                             | 122,674,896                 | 126,249,490                 | -2.83%        |
| <b>Total Liabilities</b>                          | <b><u>160,882,306</u></b>   | <b><u>156,162,878</u></b>   | <b>3.02%</b>  |
| Invested in Capital Assets<br>net of related debt | 40,206,013                  | 14,270,818                  | 181.74%       |
| Restricted  | 35,856,189                  | 62,143,265                  | -42.30%       |
| Unrestricted (deficit)                            | 789,954                     | (2,949,813)                 | -126.78%      |
| <b>Total Net Assets</b>                           | <b><u>\$ 76,852,156</u></b> | <b><u>\$ 73,464,270</u></b> | <b>4.61%</b>  |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

The significant decrease in current and other assets is the result of decreases in cash and investments and intergovernmental receivables related to the District's school building construction and renovation project through the Ohio School Facilities Commission (OSFC).

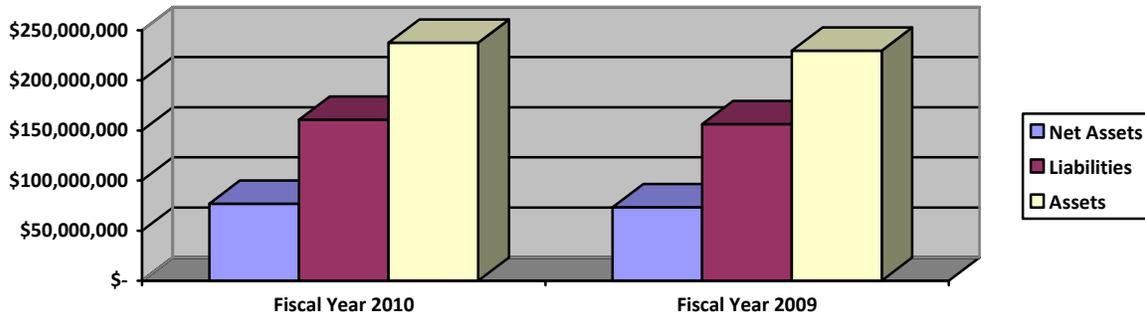
The significant increase in capital assets is also the result of the District's OSFC project, offset by current year depreciation of capital assets.

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. At June 30, 2010, the District's assets exceeded liabilities by approximately \$76.9 million.

The largest portion of the District's net assets (52 percent) reflects its investment in capital assets (e.g. land, buildings, furniture, and equipment), less any debt used to acquire or construct capital assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (47 percent) represents resources that are subject to external restriction on how they may be used. The vast majority of this amount represents cash and investments restricted for building construction and renovation in conjunction with the District's OSFC project. The remaining balance of unrestricted net assets may be used to meet the District's ongoing obligations to citizens and creditors.

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



**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

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

|                                    | <u>2010</u>          | <u>2009</u>          | <u>Percent<br/>Change</u> |
|------------------------------------|----------------------|----------------------|---------------------------|
| <b>Program Revenues</b>            |                      |                      |                           |
| Charges for Services and Sales     | \$ 2,442,489         | \$ 2,380,519         | 2.60%                     |
| Operating Grants and Contributions | 8,370,673            | 7,678,640            | 9.01%                     |
| Capital Grants and Contributions   | -                    | 78,746               | -100.00%                  |
| <b>General Revenues</b>            |                      |                      |                           |
| Property Taxes                     | 27,641,164           | 27,625,938           | 0.06%                     |
| Income Taxes                       | 4,120,848            | 4,769,495            | -13.60%                   |
| Payment in Lieu of Taxes           | 1,483,796            | 622,412              | 138.39%                   |
| Grants and Entitlements            | 30,310,133           | 84,289,700           | -64.04%                   |
| Investment Earnings                | 292,155              | 1,641,085            | -82.20%                   |
| Other                              | 356,200              | 147,487              | 141.51%                   |
| Total Revenues                     | <u>75,017,458</u>    | <u>129,234,022</u>   | -41.95%                   |
| <b>Program Expenses</b>            |                      |                      |                           |
| Instructional                      | 37,018,406           | 31,999,023           | 15.69%                    |
| Support Services                   | 22,348,007           | 30,759,841           | -27.35%                   |
| Non-instructional                  | 2,581,391            | 2,617,445            | -1.38%                    |
| Extra Curricular Activities        | 1,116,310            | 1,559,695            | -28.43%                   |
| Unallocated Depreciation           | 2,665,570            | 2,666,084            | -0.02%                    |
| Interest and Fiscal Charges        | 5,899,888            | 6,334,886            | -6.87%                    |
| Total Expenses                     | <u>71,629,572</u>    | <u>75,936,974</u>    | -5.67%                    |
| Change in Net Assets               | <u>3,387,886</u>     | <u>53,297,048</u>    |                           |
| Net Assets at Beginning of Year    | <u>73,464,270</u>    | <u>20,167,222</u>    |                           |
| Net Assets at End of Year          | <u>\$ 76,852,156</u> | <u>\$ 73,464,270</u> |                           |

The significant increase in operating grants and contributions is the result of additional federal funding through stimulus grants.

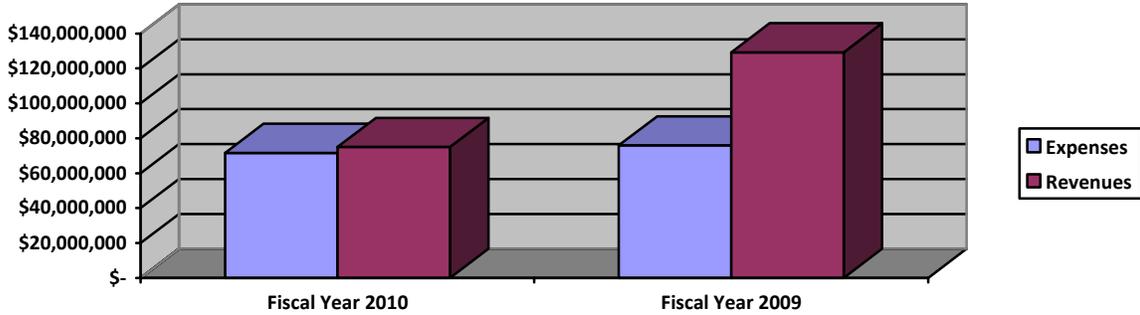
Grants and Entitlements decreased by \$53,979,567 primarily due to the recognition of revenue relating to the OSFC project in the prior fiscal year.

The significant decrease in investment earnings is the result of a decrease in balances available for investment, coupled with deteriorating economic conditions.

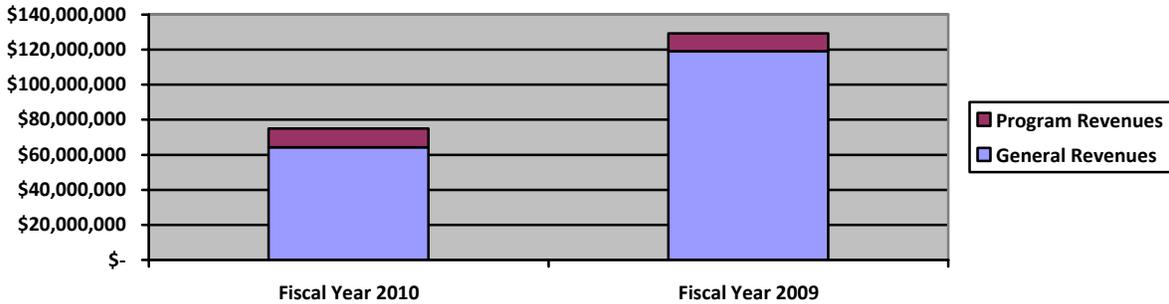
**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

The decrease in total expenses is the result of a reduction of staff, as well as other cost-cutting measures implemented by the District in fiscal year 2010.

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



The graph below presents the District's general and program revenues for fiscal years 2010 and 2009.



**REYNOLDSBURG CITY SCHOOL DISTRICT**

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

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

|                             | <u>Total Cost of<br/>Services 2010</u> | <u>Total Cost of<br/>Services 2009</u> | <u>Net Cost of<br/>Services 2010</u> | <u>Net Cost of<br/>Services 2009</u> |
|-----------------------------|--|--|--------------------------------------|--------------------------------------|
| Program expenses            |  |  |                                      |                                      |
| Instructional               | \$ 37,018,406                          | \$ 31,999,023                          | \$ 31,576,497                        | \$ 27,057,790                        |
| Support Services            | 22,348,007                             | 30,759,841                             | 20,393,548                           | 28,816,392                           |
| Non-instructional           | 2,581,391                              | 2,617,445                              | (63,237)                             | 119,925                              |
| Extra Curricular Activities | 1,116,310                              | 1,559,695                              | 344,144                              | 803,992                              |
| Unallocated Depreciation    | 2,665,570                              | 2,666,084                              | 2,665,570                            | 2,666,084                            |
| Interest and Fiscal Charges | 5,899,888                              | 6,334,886                              | 5,899,888                            | 6,334,886                            |
| Total                       | <u>\$ 71,629,572</u>                   | <u>\$ 75,936,974</u>                   | <u>\$ 60,816,410</u>                 | <u>\$ 65,799,069</u>                 |

The dependence upon tax and other general revenues is apparent, as 85.3 percent of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.8 percent. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District's students.

**The District's Funds**

The District's governmental funds reported a combined fund balance of approximately \$82.0 million.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

|                          | <u>Fund Balance<br/>June 30, 2010</u> | <u>Fund Balance<br/>June 30, 2009</u> | <u>Increase/<br/>(Decrease)</u> |
|--------------------------|---------------------------------------|---------------------------------------|---------------------------------|
| Major Funds:             |                                       |                                       |                                 |
| General                  | \$ 3,611,933                          | \$ 942,406                            | \$ 2,669,527                    |
| Debt Service             | 5,527,148                             | 4,517,980                             | 1,009,168                       |
| Building                 | 23,123,132                            | 26,709,559                            | (3,586,427)                     |
| Classroom Facilities     | 47,159,412                            | 32,734,277                            | 14,425,135                      |
| Other Governmental Funds | 2,564,435                             | 2,022,644                             | 541,791                         |
| Total                    | <u>\$ 81,986,060</u>                  | <u>\$ 66,926,866</u>                  | <u>\$ 15,059,194</u>            |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

***General Fund***

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

|  | <u>2010</u>         | <u>2009</u>           | <u>Percentage<br/>Change</u> |
|--|---------------------|-----------------------|------------------------------|
| <u>Revenues:</u>   |                     |                       |                              |
| Taxes  | \$ 21,747,024       | \$ 22,352,819         | -2.71%                       |
| Payment in Lieu of Taxes                                     | 1,483,796           | 622,412               | 138.39%                      |
| Tuition  | 648,356             | 470,363               | 37.84%                       |
| Earnings on Investments                                      | 16,526              | 510,056               | -96.76%                      |
| Intergovernmental  | 28,992,054          | 29,668,202            | -2.28%                       |
| Other Revenues   | 496,807             | 655,910               | -24.26%                      |
| Total Revenues   | <u>53,384,563</u>   | <u>54,279,762</u>     | -1.65%                       |
| <u>Expenditures:</u>   |                     |                       |                              |
| Instruction  | 30,858,796          | 29,899,349            | 3.21%                        |
| Support Services   | 19,435,171          | 28,623,244            | -32.10%                      |
| Other Non-Instructional Services                             | 2,000               | -                     | 100.00%                      |
| Extracurricular Activities                                   | 218,312             | 983,535               | -77.80%                      |
| Debt Service   | 29,952              | 52,983                | -43.47%                      |
| Total Expenditures   | <u>50,544,231</u>   | <u>59,559,111</u>     | -15.14%                      |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures | <u>2,840,332</u>    | <u>(5,279,349)</u>    | -153.80%                     |
| <u>Other Financing Sources:</u>                              |                     |                       |                              |
| Sale of Capital Assets                                       | 100                 | -                     | 100.00%                      |
| Net Change in Fund Balance                                   | <u>\$ 2,840,432</u> | <u>\$ (5,279,349)</u> | -153.80%                     |

The increase in payment in lieu of taxes is due to an increase in payments resulting from an agreement with the NOCA for Taylor Square.

The decrease in earnings on investments was due to decreases in interest rates during 2010. All other revenues remained comparable to the previous fiscal year.

The most significant changes in expenditures were decreases in support services and extracurricular activities. These decreases were primarily the result of reductions in staffing during fiscal year 2010. A decrease in foundation settlement deductions for pupil services also contributed to the decrease in support services.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

***Debt Service Fund***

During fiscal year 2010, the District's debt service fund balance increased approximately \$1.0 million. The table that follows assists in illustrating the financial activities of the debt service fund.

|  | 2010                | 2009                | Percentage<br>Change |
|--|---------------------|---------------------|----------------------|
| <u>Revenues:</u>   |                     |                     |                      |
| Taxes  | \$ 8,835,843        | \$ 8,499,162        | 3.96%                |
| Intergovernmental  | 1,182,948           | 926,991             | 27.61%               |
| Total Revenues   | <u>10,018,791</u>   | <u>9,426,153</u>    | 6.29%                |
| <u>Expenditures:</u>   |                     |                     |                      |
| Fiscal   | 119,267             | 88,181              | 35.25%               |
| Debt Service:  |                     |                     |                      |
| Principal Retirement   | 3,615,000           | 58,372,097          | -93.81%              |
| Interest and Fiscal Charges                                  | 5,275,356           | 6,142,607           | -14.12%              |
| Bond Issuance Costs  | -                   | 564,480             | -100.00%             |
| Total Expenditures   | <u>9,009,623</u>    | <u>65,167,365</u>   | -86.17%              |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures | <u>1,009,168</u>    | <u>(55,741,212)</u> | -101.81%             |
| <u>Other Financing Sources:</u>                              |                     |                     |                      |
| Sale of Bonds  | -                   | 55,999,988          | -100.00%             |
| Premium on Sale of Bonds                                     | -                   | 2,143,788           | -100.00%             |
| Total Other Financing Sources                                | <u>-</u>            | <u>58,143,776</u>   | -100.00%             |
| Net Change in Fund Balance                                   | <u>\$ 1,009,168</u> | <u>\$ 2,402,564</u> | -58.00%              |

During fiscal year 2010, revenues outstripped debt service expenditures resulting in the increase to fund balance.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

***Building Fund***

During fiscal year 2010, the District's building fund balance decreased approximately \$3.6 million. This represents the amount in which expenditures for construction exceeded earnings on investments during the fiscal year. The table that follows assists in illustrating the financial activities of the building fund:

|  | 2010                  | 2009                  | Percentage<br>Change |
|--|-----------------------|-----------------------|----------------------|
| <u>Revenues:</u>                             |                       |                       |                      |
| Earnings on Investments                      | \$ 121,291            | \$ 645,651            | -81.21%              |
| Total Revenues                               | <u>121,291</u>        | <u>645,651</u>        | -81.21%              |
| <u>Expenditures:</u>                         |                       |                       |                      |
| Instructional Staff                          | -                     | 180                   | -100.00%             |
| Administration                               | 26,109                | 4,852                 | 438.11%              |
| Facilities Acquisition and Construction      | 3,682,878             | 1,671,499             | 120.33%              |
| Total Expenditures                           | <u>3,708,987</u>      | <u>1,676,531</u>      | 121.23%              |
| Deficiency of Revenues Under<br>Expenditures | <u>(3,587,696)</u>    | <u>(1,030,880)</u>    | 248.02%              |
| <u>Other Financing Sources:</u>              |                       |                       |                      |
| Sale of Capital Assets                       | 1,269                 | -                     | 100.00%              |
| Total Other Financing Sources                | <u>1,269</u>          | <u>-</u>              | 100.00%              |
| Net Change in Fund Balance                   | <u>\$ (3,586,427)</u> | <u>\$ (1,030,880)</u> | 247.90%              |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

***Classroom Facilities Fund***

During fiscal year 2010, the District's classroom facilities fund balance increased approximately \$14.4 million. This represents the amount in which OSFC grant receipts exceeded construction expenditures during the fiscal year. The table that follows assists in illustrating the financial activities of the classroom facilities fund:

|   | 2010<br>Amount       | 2009<br>Amount      | Percentage<br>Change |
|---|----------------------|---------------------|----------------------|
| <u>Revenues:</u>                        |                      |                     |                      |
| Earnings on Investments                 | \$ 154,176           | \$ 727,409          | -78.80%              |
| Intergovernmental Revenue- State        | 36,145,731           | 6,141,149           | 488.58%              |
| Total Revenues                          | <u>36,299,907</u>    | <u>6,868,558</u>    | 428.49%              |
| <u>Expenditures:</u>                    |                      |                     |                      |
| Fiscal                                  | 32,584               | -                   | 100.00%              |
| Facilities Acquisition and Construction | 21,843,816           | 2,475,205           | 782.51%              |
| Total Expenditures                      | <u>21,876,400</u>    | <u>2,475,205</u>    | 783.82%              |
| Excess of Revenues Over<br>Expenditures | <u>14,423,507</u>    | <u>4,393,353</u>    | 228.30%              |
| <u>Other Financing Sources:</u>         |                      |                     |                      |
| Sale of Capital Assets                  | 1,628                | -                   | 100.00%              |
| Total Other Financing Sources           | <u>1,628</u>         | <u>-</u>            | 100.00%              |
| Net Change in Fund Balance              | <u>\$ 14,425,135</u> | <u>\$ 4,393,353</u> | 228.34%              |

***General Fund Budgetary Highlights***

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

During the course of fiscal year 2010, the District amended its general fund revenue budget. For the general fund, original budgeted revenues and other financing sources were approximately \$51.0 million and final budgeted revenues and other financing sources were approximately \$52.1 million. The variance between final budgeted revenues and other financing sources and actual revenues and other financing sources was insignificant.

General fund original appropriations (appropriated expenditures plus other financing uses) of approximately \$52.7 million were increased to approximately \$54.3 million in the final budget. The actual budget basis expenditures and other financing uses totaled approximately \$52.4 million, which was approximately \$1.9 million less than the final budget appropriations.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of the fiscal year, the District's had approximately \$100.4 million (net of accumulated depreciation) invested in capital assets, an increase of \$21.6 million in comparison with the prior fiscal year. For the most part, this increase represents the amount in which current year capital asset additions (\$24.8 million) exceeded current year depreciation (\$3.2 million).

More detailed information can be found in the Note 9 to the basic financial statements.

*Debt*

At the end of the fiscal year, the District had total long-term debt outstanding of approximately \$119.2 million, a decrease of approximately \$3.1 million in comparison with the prior fiscal year. This decrease is the result of current year principal payments of \$3.6 million, offset by current year accretion and amortization of \$551,986.

More detailed information can be found in Notes 11 to the basic financial statements.

**Component Units**

The District's financial statements also contain two component units. More detailed information regarding component units can be found in Notes 20 and 21. If additional financial information concerning the component units is needed, please see their separately issued financial reports.

**Current Related Financial Activities**

As with many districts, the District has struggled financially over the last few years. Prior to FY2011, the District made \$20 million in cuts. Despite passing an operating levy in May 2010, the District made additional cuts and all staff took a complete salary freeze in FY2011 to help stabilize the budget.

The District passed a 6.9 mill incremental operating levy in May 2010. The levy will increase by 1 mill each year until it reaches 9.9 mills. The levy has provided short-term stabilization to District's budget, however any reduction in State funding will erode the benefits of this levy.

Despite these challenges, the District is committed to delivering an innovative, high quality education to all students. The District routinely earns high ratings on the Ohio Department of Education report card, and students achieve at high levels.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Tammira Miller, Treasurer, Reynoldsburg City School District, 7244 E. Main Street, Reynoldsburg, Ohio 43068-3585.

**REYNOLDBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010**

|   | Primary Government         | Component Units                     |                    |
|---|----------------------------|-------------------------------------|--------------------|
|   | Governmental<br>Activities | Virtual Community<br>School of Ohio | A+ Arts<br>Academy |
| <b>Assets</b>                                   |                            |                                     |                    |
| Cash and cash equivalents                       | \$ 31,587,104              | \$ 862,228                          | \$ 79,152          |
| Investments                                     | 50,470,824                 | -                                   | -                  |
| Receivables:                                    |                            |                                     |                    |
| Property taxes                                  | 29,692,566                 | -                                   | -                  |
| Income taxes                                    | 1,776,650                  | -                                   | -                  |
| Accounts  | 174,878                    | 112,227                             | 21,710             |
| Payment in lieu of taxes                        | 1,467,359                  | -                                   | -                  |
| Intergovernmental                               | 14,638,724                 | 183,668                             | 47,173             |
| Accrued interest                                | 24,692                     | -                                   | -                  |
| Prepayments                                     | 149,504                    | -                                   | -                  |
| Materials and supplies inventory                | 21,495                     | -                                   | -                  |
| Restricted cash and cash equivalents            | 172,006                    | -                                   | -                  |
| Unamortized issuance costs                      | 1,010,730                  | -                                   | -                  |
| Deferred swaption transaction costs             | 835,514                    | -                                   | -                  |
| Deferred outflows                               | 5,343,352                  | -                                   | -                  |
| Non-Depreciable Capital Assets                  | 35,404,258                 | -                                   | 147,642            |
| Depreciable Capital Assets                      | 64,964,806                 | 372,926                             | 853,872            |
| <b>Total Assets</b>                             | <b>237,734,462</b>         | <b>1,531,049</b>                    | <b>1,149,549</b>   |
| <b>Liabilities</b>                              |                            |                                     |                    |
| Accounts payable                                | 298,331                    | 534,229                             | 144                |
| Contracts payable                               | 3,444,657                  | -                                   | -                  |
| Accrued wages and benefits                      | 5,693,766                  | 489,575                             | 74,024             |
| Pension obligation payable                      | 1,297,635                  | 77,510                              | 13,265             |
| Intergovernmental payable                       | 243,068                    | 37,805                              | 5,804              |
| Due to Students                                 | -                          | -                                   | 79                 |
| Retainage payable                               | 647,616                    | -                                   | -                  |
| Accrued interest payable                        | 437,135                    | -                                   | -                  |
| Claims payable                                  | 707,630                    | -                                   | -                  |
| Unearned revenue                                | 20,094,220                 | 37,197                              | 52,842             |
| Derivative instruments                          | 5,343,352                  | -                                   | -                  |
| Long-term liabilities                           |                            |                                     |                    |
| Due within one year                             | 4,306,080                  | 196,723                             | 30,214             |
| Due in more than one year                       | 118,368,816                | 25,981                              | 823,741            |
| <b>Total Liabilities</b>                        | <b>160,882,306</b>         | <b>1,399,020</b>                    | <b>1,000,113</b>   |
| <b>Net Assets</b>                               |                            |                                     |                    |
| Invested in Capital Assets, Net of Related Debt | 40,206,013                 | 372,926                             | 159,219            |
| Restricted for:                                 |                            |                                     |                    |
| Capital projects                                | 34,748,073                 | -                                   | -                  |
| Locally funded programs                         | 420,336                    | 5,015                               | 1,187              |
| State funded programs                           | 32,580                     | 1,176                               | -                  |
| Federally funded programs                       | 25,750                     | 91,628                              | 18,203             |
| Classroom facilities maintenance                | 520,928                    | -                                   | -                  |
| Student activities                              | 80,391                     | -                                   | -                  |
| Library Support (Nonexpendable)                 | 25,000                     | -                                   | -                  |
| Food Service                                    | 3,131                      | -                                   | -                  |
| Unrestricted                                    | 789,954                    | (338,716)                           | (29,173)           |
| <b>Total Net Assets</b>                         | <b>\$ 76,852,156</b>       | <b>\$ 132,029</b>                   | <b>\$ 149,436</b>  |

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

|  | Program Revenues     |                                   |                                       |
|--|----------------------|-----------------------------------|---------------------------------------|
|  | Expenses             | Charges for<br>Services and Sales | Operating Grants<br>and Contributions |
| Governmental Activities                  |                      |                                   |                                       |
| Instruction:                             |                      |                                   |                                       |
| Regular                                  | \$ 28,946,685        | \$ 706,878                        | \$ 1,198,336                          |
| Special                                  | 6,468,234            | 73,581                            | 2,810,098                             |
| Vocational                               | 117,573              | 2,419                             | 88,948                                |
| Adult/continuing                         | 500                  | -                                 | -                                     |
| Other                                    | 1,485,414            | 17,195                            | 544,454                               |
| Support services:                        |                      |                                   |                                       |
| Pupils                                   | 3,357,801            | -                                 | 361,741                               |
| Instructional staff                      | 3,015,049            | 1,119                             | 1,151,940                             |
| Board of education                       | 56,366               | -                                 | -                                     |
| Administration                           | 5,476,967            | -                                 | 5,496                                 |
| Fiscal                                   | 899,141              | -                                 | -                                     |
| Business                                 | 506,439              | -                                 | -                                     |
| Operations and maintenance               | 5,735,990            | -                                 | 186,503                               |
| Pupil transportation                     | 2,301,282            | -                                 | 25,648                                |
| Central                                  | 998,972              | 89,054                            | 132,958                               |
| Operation of non-instructional services: |                      |                                   |                                       |
| Food service operations                  | 2,271,407            | 785,082                           | 1,478,587                             |
| Other non-operational services           | 309,984              | -                                 | 380,959                               |
| Extracurricular activities               | 1,116,310            | 767,161                           | 5,005                                 |
| Unallocated depreciation                 | 2,665,570            | -                                 | -                                     |
| Interest and fiscal charges              | 5,899,888            | -                                 | -                                     |
| Total Governmental Activities            | <u>71,629,572</u>    | <u>2,442,489</u>                  | <u>8,370,673</u>                      |
| Component Units                          |                      |                                   |                                       |
| Virtual Community School of Ohio         | 12,619,178           | 250,130                           | 2,796,655                             |
| A+ Arts Academy                          | 1,392,322            | 50,207                            | 408,429                               |
| Total component units                    | <u>\$ 14,011,500</u> | <u>\$ 300,337</u>                 | <u>\$ 3,205,084</u>                   |

General Revenues  
 Property taxes levied for:  
   General purposes  
   Debt service  
   Capital projects  
   Special revenue  
 Income taxes  
 Payment in lieu of taxes  
 Unrestricted grants and entitlements  
 Investment earnings  
 Miscellaneous  
 Total General Revenues

Change in Net Assets

Net Assets Beginning of Year  
 Net Assets End of Year

See accompanying notes to the basic financial statements.

| Net (Expense) Revenue and Changes in Net Assets |                                  |                   |
|---|----------------------------------|-------------------|
| Primary Government                              | Component Unit                   |                   |
| Governmental Activities                         | Virtual Community School of Ohio | A+ Arts Academy   |
| \$ (27,041,471)                                 | \$ -                             | \$ -              |
| (3,584,555)                                     | -                                | -                 |
| (26,206)  | -                                | -                 |
| (500)   | -                                | -                 |
| (923,765)                                       | -                                | -                 |
| (2,996,060)                                     | -                                | -                 |
| (1,861,990)                                     | -                                | -                 |
| (56,366)  | -                                | -                 |
| (5,471,471)                                     | -                                | -                 |
| (899,141)                                       | -                                | -                 |
| (506,439)                                       | -                                | -                 |
| (5,549,487)                                     | -                                | -                 |
| (2,275,634)                                     | -                                | -                 |
| (776,960)                                       | -                                | -                 |
| (7,738)   | -                                | -                 |
| 70,975  | -                                | -                 |
| (344,144)                                       | -                                | -                 |
| (2,665,570)                                     | -                                | -                 |
| (5,899,888)                                     | -                                | -                 |
| <u>(60,816,410)</u>                             | <u>-</u>                         | <u>-</u>          |
| -   | (9,572,393)                      | -                 |
| -   | -                                | (933,686)         |
| -   | <u>(9,572,393)</u>               | <u>(933,686)</u>  |
| 17,737,208                                      | -                                | -                 |
| 8,644,693                                       | -                                | -                 |
| 669,513   | -                                | -                 |
| 589,750   | -                                | -                 |
| 4,120,848                                       | -                                | -                 |
| 1,483,796                                       | -                                | -                 |
| 30,310,133                                      | 9,498,611                        | 894,980           |
| 292,155   | 3,483                            | -                 |
| 356,200   | -                                | 36,983            |
| <u>64,204,296</u>                               | <u>9,502,094</u>                 | <u>931,963</u>    |
| <u>3,387,886</u>                                | <u>(70,299)</u>                  | <u>(1,723)</u>    |
| 73,464,270                                      | 202,328                          | 151,159           |
| <u>\$ 76,852,156</u>                            | <u>\$ 132,029</u>                | <u>\$ 149,436</u> |

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2010**

|  | General<br>Fund      | Debt<br>Service<br>Fund | Building<br>Fund     | Classroom<br>Facilities<br>Fund |
|--|----------------------|-------------------------|----------------------|---------------------------------|
| <b>Assets:</b>                               |                      |                         |                      |                                 |
| Cash and cash equivalents                    | \$ 1,440,264         | \$ 2,606,906            | \$ 7,534,567         | \$ 15,957,663                   |
| Investments                                  | -                    | -                       | 16,187,302           | 34,283,522                      |
| Receivables:                                 |                      |                         |                      |                                 |
| Property taxes                               | 19,910,466           | 8,528,927               | -                    | -                               |
| Income taxes                                 | 1,776,650            | -                       | -                    | -                               |
| Accounts                                     | 150,424              | -                       | 3,000                | -                               |
| Payment in lieu of taxes                     | 1,467,359            | -                       | -                    | -                               |
| Intergovernmental                            | -                    | -                       | -                    | 14,158,594                      |
| Accrued interest                             | -                    | -                       | 12,346               | 12,346                          |
| Due from other funds                         | 16,446               | -                       | -                    | -                               |
| Prepayments                                  | 149,504              | -                       | -                    | -                               |
| Materials and supplies inventory             | -                    | -                       | -                    | -                               |
| Restricted cash and cash equivalents         | 172,006              | -                       | -                    | -                               |
| <b>Total Assets</b>                          | <b>\$ 25,083,119</b> | <b>\$ 11,135,833</b>    | <b>\$ 23,737,215</b> | <b>\$ 64,412,125</b>            |
| <b>Liabilities:</b>                          |                      |                         |                      |                                 |
| Accounts payable                             | \$ 210,541           | \$ -                    | \$ -                 | \$ -                            |
| Contracts payable                            | -                    | -                       | 471,608              | 2,973,049                       |
| Accrued wages and benefits                   | 4,776,137            | -                       | -                    | -                               |
| Compensated absences payable                 | 29,367               | -                       | -                    | -                               |
| Pension obligation payable                   | 1,088,112            | -                       | -                    | -                               |
| Intergovernmental payable                    | 231,936              | -                       | -                    | -                               |
| Due to other funds                           | -                    | -                       | -                    | -                               |
| Deferred revenue                             | 15,135,093           | 5,608,685               | -                    | 13,774,523                      |
| Retainage payable                            | -                    | -                       | 142,475              | 505,141                         |
| <b>Total Liabilities</b>                     | <b>21,471,186</b>    | <b>5,608,685</b>        | <b>614,083</b>       | <b>17,252,713</b>               |
| <b>Fund Balances:</b>                        |                      |                         |                      |                                 |
| Reserved for:                                |                      |                         |                      |                                 |
| Encumbrances                                 | 118,964              | -                       | 6,163,041            | 22,667,240                      |
| Materials and supplies inventory             | -                    | -                       | -                    | -                               |
| Prepayments                                  | 149,504              | -                       | -                    | -                               |
| Property taxes unavailable for appropriation | 6,515,914            | 2,920,242               | -                    | -                               |
| Library support                              | -                    | -                       | -                    | -                               |
| BWC refunds                                  | 172,006              | -                       | -                    | -                               |
| Unreserved/undesignated, Reported in:        |                      |                         |                      |                                 |
| General fund                                 | (3,344,455)          | -                       | -                    | -                               |
| Special revenue Funds                        | -                    | -                       | -                    | -                               |
| Capital project funds                        | -                    | -                       | 16,960,091           | 24,492,172                      |
| Debt service fund                            | -                    | 2,606,906               | -                    | -                               |
| <b>Total Fund Balances</b>                   | <b>3,611,933</b>     | <b>5,527,148</b>        | <b>23,123,132</b>    | <b>47,159,412</b>               |
| <b>Total Liabilities and Fund Balances</b>   | <b>\$ 25,083,119</b> | <b>\$ 11,135,833</b>    | <b>\$ 23,737,215</b> | <b>\$ 64,412,125</b>            |

See accompanying notes to the basic financial statements.

| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|--------------------------------|
| \$ 3,126,857                   | \$ 30,666,257                  |
| -                              | 50,470,824                     |
| 1,253,173                      | 29,692,566                     |
| -                              | 1,776,650                      |
| 12,930                         | 166,354                        |
| -                              | 1,467,359                      |
| 480,130                        | 14,638,724                     |
| -                              | 24,692                         |
| -                              | 16,446                         |
| -                              | 149,504                        |
| 21,495                         | 21,495                         |
| -                              | 172,006                        |
| <u>\$ 4,894,585</u>            | <u>\$ 129,262,877</u>          |
| <br>                           |                                |
| \$ 87,790                      | 298,331                        |
| -                              | 3,444,657                      |
| 917,629                        | 5,693,766                      |
| -                              | 29,367                         |
| 209,523                        | 1,297,635                      |
| 11,132                         | 243,068                        |
| 16,446                         | 16,446                         |
| 1,087,630                      | 35,605,931                     |
| -                              | 647,616                        |
| <u>2,330,150</u>               | <u>47,276,817</u>              |
| <br>                           |                                |
| 151,269                        | 29,100,514                     |
| 21,495                         | 21,495                         |
| -                              | 149,504                        |
| 426,837                        | 9,862,993                      |
| 25,000                         | 25,000                         |
| -                              | 172,006                        |
| -                              | (3,344,455)                    |
| 621,165                        | 621,165                        |
| 1,318,669                      | 42,770,932                     |
| -                              | 2,606,906                      |
| <u>2,564,435</u>               | <u>81,986,060</u>              |
| <br>                           |                                |
| <u>\$ 4,894,585</u>            | <u>\$ 129,262,877</u>          |

See accompanying notes to the basic financial statements.

**-This page was intentionally left blank-**

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRAKLIN COUNTY**

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

**Total Governmental Fund Balances** \$ 81,986,060

*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. 100,369,064

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

|                               |            |            |
|-------------------------------|------------|------------|
| Property Tax Receivables      | 1,479,469  |            |
| Intergovernmental Receivables | 14,032,242 |            |
|                               |            | 15,511,711 |

Internal service funds are used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets 221,741

Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| Bonds and Notes Payable             | (114,305,196) |               |
| Premium on Bonds and Notes          | (4,888,230)   |               |
| Unamortized Issuance Costs          | 1,010,730     |               |
| Deferred Swaption Transaction Costs | 835,514       |               |
| Accrued Interest Payable            | (437,135)     |               |
| Leases Purchase Obligation          | (97,254)      |               |
| Compensated Absence Payable         | (3,354,849)   |               |
|                                     |               | (121,236,420) |

**Net Assets of Governmental Activities** \$ 76,852,156

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

|  | General<br>Fund     | Debt<br>Service<br>Fund | Building<br>Fund     | Classroom<br>Facilities<br>Fund |
|--|---------------------|-------------------------|----------------------|---------------------------------|
| <b>Revenues:</b>   |                     |                         |                      |                                 |
| From local sources:  |                     |                         |                      |                                 |
| Taxes  | \$ 21,747,024       | \$ 8,835,843            | \$ -                 | \$ -                            |
| Tuition  | 648,356             | -                       | -                    | -                               |
| Charges for services   | -                   | -                       | -                    | -                               |
| Earnings on investments                                      | 16,526              | -                       | 121,291              | 154,176                         |
| Extracurricular  | 13,112              | -                       | -                    | -                               |
| Classroom materials and fees                                 | 130,492             | -                       | -                    | -                               |
| Payments in lieu of taxes                                    | 1,483,796           | -                       | -                    | -                               |
| Other local revenues   | 353,203             | -                       | -                    | -                               |
| Intergovernmental- Intermediate                              | -                   | -                       | -                    | -                               |
| Intergovernmental- State                                     | 28,677,281          | 1,182,948               | -                    | 36,145,731                      |
| Intergovernmental- Federal                                   | 314,773             | -                       | -                    | -                               |
| <b>Total Revenues</b>  | <b>53,384,563</b>   | <b>10,018,791</b>       | <b>121,291</b>       | <b>36,299,907</b>               |
| <b>Expenditures:</b>   |                     |                         |                      |                                 |
| Instruction:   |                     |                         |                      |                                 |
| Regular  | 26,415,086          | -                       | -                    | -                               |
| Special  | 3,508,093           | -                       | -                    | -                               |
| Vocational   | 115,335             | -                       | -                    | -                               |
| Adult/continuing   | 500                 | -                       | -                    | -                               |
| Other  | 819,782             | -                       | -                    | -                               |
| Support services:  |                     |                         |                      |                                 |
| Pupils   | 3,052,719           | -                       | -                    | -                               |
| Instructional staff  | 1,741,279           | -                       | -                    | -                               |
| Board of education   | 56,366              | -                       | -                    | -                               |
| Administration   | 5,498,970           | -                       | -                    | -                               |
| Fiscal   | 696,917             | 119,267                 | 26,109               | 32,584                          |
| Business   | 438,969             | -                       | -                    | -                               |
| Operations and maintenance                                   | 5,215,084           | -                       | -                    | -                               |
| Pupil transportation   | 1,911,563           | -                       | -                    | -                               |
| Central  | 823,304             | -                       | -                    | -                               |
| Operation of non-instructional services:                     |                     |                         |                      |                                 |
| Food service operations                                      | -                   | -                       | -                    | -                               |
| Other non-operational services                               | 2,000               | -                       | -                    | -                               |
| Extracurricular activities                                   | 218,312             | -                       | -                    | -                               |
| Facilities acquisition and construction                      | -                   | -                       | 3,682,878            | 21,843,816                      |
| Debt service:  |                     |                         |                      |                                 |
| Principal retirement   | 24,196              | 3,615,000               | -                    | -                               |
| Interest and fiscal charges                                  | 5,756               | 5,275,356               | -                    | -                               |
| <b>Total Expenditures</b>                                    | <b>50,544,231</b>   | <b>9,009,623</b>        | <b>3,708,987</b>     | <b>21,876,400</b>               |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 2,840,332           | 1,009,168               | (3,587,696)          | 14,423,507                      |
| <b>Other financing sources (uses):</b>                       |                     |                         |                      |                                 |
| Sale of capital assets                                       | 100                 | -                       | 1,269                | 1,628                           |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>100</b>          | <b>-</b>                | <b>1,269</b>         | <b>1,628</b>                    |
| <b>Net Change in Fund Balances</b>                           | <b>2,840,432</b>    | <b>1,009,168</b>        | <b>(3,586,427)</b>   | <b>14,425,135</b>               |
| Fund Balance Beginning of Year                               | 942,406             | 4,517,980               | 26,709,559           | 32,734,277                      |
| Decrease in Reserve for Inventory                            | (170,905)           | -                       | -                    | -                               |
| <b>Fund Balance End of Year</b>                              | <b>\$ 3,611,933</b> | <b>\$ 5,527,148</b>     | <b>\$ 23,123,132</b> | <b>\$ 47,159,412</b>            |

See accompanying notes to the basic financial statements.

| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|--------------------------------|
| \$ 1,282,407                   | \$ 31,865,274                  |
| 21,225                         | 669,581                        |
| 786,201                        | 786,201                        |
| 207                            | 292,200                        |
| 680,461                        | 693,573                        |
| 32,480                         | 162,972                        |
| -                              | 1,483,796                      |
| 130,162                        | 483,365                        |
| 30,200                         | 30,200                         |
| 1,123,186                      | 67,129,146                     |
| 7,249,438                      | 7,564,211                      |
| <u>11,335,967</u>              | <u>111,160,519</u>             |
| 1,265,108                      | 27,680,194                     |
| 2,809,273                      | 6,317,366                      |
| -                              | 115,335                        |
| -                              | 500                            |
| 520,489                        | 1,340,271                      |
| 375,151                        | 3,427,870                      |
| 1,279,461                      | 3,020,740                      |
| -                              | 56,366                         |
| 6,552                          | 5,505,522                      |
| 33,428                         | 908,305                        |
| 105,262                        | 544,231                        |
| 665,636                        | 5,880,720                      |
| 104,999                        | 2,016,562                      |
| 161,281                        | 984,585                        |
| 2,253,236                      | 2,253,236                      |
| 348,620                        | 350,620                        |
| 783,745                        | 1,002,057                      |
| 12,001                         | 25,538,695                     |
| 61,252                         | 3,700,448                      |
| 5,945                          | 5,287,057                      |
| <u>10,791,439</u>              | <u>95,930,680</u>              |
| <u>544,528</u>                 | <u>15,229,839</u>              |
| -                              | 2,997                          |
| -                              | <u>2,997</u>                   |
| 544,528                        | 15,232,836                     |
| 2,022,644                      | 66,926,866                     |
| (2,737)                        | (173,642)                      |
| <u>\$ 2,564,435</u>            | <u>\$ 81,986,060</u>           |

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**Net Change in Fund Balances - Total Governmental Funds** \$ 15,232,836

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

|                      |             |
|----------------------|-------------|
| Depreciation Expense | (3,185,350) |
| Capital Outlay       | 24,813,349  |

The net effect of various transactions involving capital assets (i.e. sales, disposals, etc.) (71,652)

Governmental funds report expenditures for inventory when purchased, however on the statement of activities they are reported as an expense when occurred (173,642)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (36,146,058)

Internal service fund for self-insurance is not reported in the statement of activities. Expenditures and related internal service fund revenues are eliminated. The net revenue/(expense) of the internal service funds are allocated among the governmental activities (399,753)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

|   |           |
|---|-----------|
| Bond and Note Principal Repayments                      | 3,615,000 |
| Capital Lease and Lease Obligation Principal Repayments | 85,448    |
| Termination of Capital Lease                            | 58,672    |

Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

|  |           |
|--|-----------|
| Compensated Absences                       | 171,867   |
| Accrued Interest                           | (9,606)   |
| Amortization of Bond Issuance Costs        | (33,149)  |
| Amortization of Swaption Transaction Costs | (18,090)  |
| Amortization of Bond Premium               | 142,214   |
| Accretion of Capital Appreciation Bonds    | (694,200) |

**Change in Net Assets of Governmental Activities** \$ 3,387,886

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

|   | Original<br>Budget  | Final<br>Budget     | Actual              | Variance<br>Over/(Under) |
|---|---------------------|---------------------|---------------------|--------------------------|
| Revenues:                                       |                     |                     |                     |                          |
| From local sources:                             |                     |                     |                     |                          |
| Taxes   | \$ 20,327,102       | \$ 20,747,905       | \$ 20,840,012       | \$ 92,107                |
| Tuition   | 581,953             | 594,000             | 648,356             | 54,356                   |
| Earnings on investments                         | 35,579              | 36,316              | 22,496              | (13,820)                 |
| Extracurricular                                 | 5,037               | 18,800              | 13,112              | (5,688)                  |
| Classroom materials and fees                    | 263,596             | 263,670             | 130,129             | (133,541)                |
| Payments in lieu of taxes                       | 1,334,376           | 1,362,000           | 1,483,796           | 121,796                  |
| Other local revenues                            | 301,028             | 361,383             | 248,696             | (112,687)                |
| Intergovernmental- State                        | 27,808,627          | 28,384,310          | 28,701,700          | 317,390                  |
| Intergovernmental- Federal                      | 342,901             | 350,000             | 312,014             | (37,986)                 |
| Total Revenues                                  | <u>51,000,199</u>   | <u>52,118,384</u>   | <u>52,400,311</u>   | <u>281,927</u>           |
| Expenditures:                                   |                     |                     |                     |                          |
| Instruction:                                    |                     |                     |                     |                          |
| Regular   | 44,427,354          | 29,538,916          | 27,165,590          | 2,373,326                |
| Special   | 568,687             | 2,794,659           | 3,452,474           | (657,815)                |
| Vocational                                      | 22,300              | 109,206             | 115,320             | (6,114)                  |
| Adult/continuing                                | -                   | 2,000               | 500                 | 1,500                    |
| Other   | 60,325              | 734,115             | 692,385             | 41,730                   |
| Support services:                               |                     |                     |                     |                          |
| Pupils  | 1,337,064           | 4,178,536           | 3,872,875           | 305,661                  |
| Instructional staff                             | 112,304             | 1,548,907           | 1,741,282           | (192,375)                |
| Board of education                              | 47,000              | 56,000              | 52,332              | 3,668                    |
| Administration                                  | 1,396,725           | 5,619,755           | 5,578,696           | 41,059                   |
| Fiscal  | 478,546             | 917,560             | 962,576             | (45,016)                 |
| Business  | 257,972             | 481,819             | 430,783             | 51,036                   |
| Operations and maintenance                      | 2,560,727           | 5,177,453           | 5,196,348           | (18,895)                 |
| Pupil transportation                            | 605,433             | 2,056,840           | 2,022,337           | 34,503                   |
| Central   | 642,477             | 886,863             | 824,928             | 61,935                   |
| Operation of non-instructional services:        |                     |                     |                     |                          |
| Other non-operational services                  | 2,000               | 4,000               | -                   | 4,000                    |
| Extracurricular activities                      | 171,802             | 158,545             | 276,804             | (118,259)                |
| Debt service:                                   |                     |                     |                     |                          |
| Principal retirement                            | -                   | -                   | 24,196              | (24,196)                 |
| Interest and fiscal charges                     | -                   | -                   | 5,756               | (5,756)                  |
| Total Expenditures                              | <u>52,690,716</u>   | <u>54,265,174</u>   | <u>52,415,182</u>   | <u>1,849,992</u>         |
| Excess of Revenues Over<br>(Under) Expenditures | <u>(1,690,517)</u>  | <u>(2,146,790)</u>  | <u>(14,871)</u>     | <u>2,131,919</u>         |
| Other Financing Sources (Uses):                 |                     |                     |                     |                          |
| Sale of capital assets                          | -                   | -                   | 100                 | 100                      |
| Advances In                                     | -                   | -                   | 1,255               | 1,255                    |
| Advances Out                                    | -                   | -                   | (8,500)             | (8,500)                  |
| Total Other Financing Sources (Uses)            | <u>-</u>            | <u>-</u>            | <u>(7,145)</u>      | <u>(7,145)</u>           |
| Net Change in Fund Balance                      | (1,690,517)         | (2,146,790)         | (22,016)            | 2,124,774                |
| Fund Balances at Beginning of Year              | 1,004,801           | 1,004,801           | 1,004,801           | -                        |
| Prior Year Encumbrances Appropriated            | 300,371             | 300,371             | 300,371             | -                        |
| Fund Balances at End of Year                    | <u>\$ (385,345)</u> | <u>\$ (841,618)</u> | <u>\$ 1,283,156</u> | <u>\$ 2,124,774</u>      |

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2010

|                           | Governmental<br>Activities -<br>Internal Service<br>Fund |
|---------------------------|--|
| <b>Assets:</b>            |  |
| Cash and Cash Equivalents | \$ 920,847   |
| Accounts Receivable       | 8,524  |
| Total Assets              | <u>929,371</u>   |
| <b>Liabilities:</b>       |  |
| Claims Payable            | 707,630  |
| Total Liabilities         | <u>707,630</u>   |
| <b>Net Assets:</b>        |  |
| Unrestricted              | 221,741  |
| Total Net Assets          | <u><u>\$ 221,741</u></u>                                 |

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

|   | Governmental<br>Activities -<br>Internal Service<br>Fund |
|---|--|
| <b>Operating Revenues:</b>              |  |
| Charges for Services                    | \$ 6,738,803   |
| Total Revenues                          | 6,738,803  |
| <b>Operating Expenses:</b>              |  |
| Purchased Services                      | 825,240  |
| Claims                                  | 6,313,316  |
| Total Expenses                          | 7,138,556  |
| Change in net assets and operating loss | (399,753)  |
| Net Assets Beginning of Year            | 621,494  |
| Net Assets End of Year                  | \$ 221,741   |

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

|   | Governmental<br>Activities -<br>Internal Service<br>Fund |
|---|--|
|   |  |
| Cash flows from operating activities:   |  |
| Cash Received from charges for services   | \$ 6,742,089   |
| Cash payments for purchased services  | (825,240)  |
| Cash payments for claims  | (6,248,405)  |
| <b>Net cash used for operating activities</b>   | <b>(331,556)</b>   |
| <br><b>Net decrease in cash and cash equivalents</b>                                      | <br><b>(331,556)</b>                                     |
| Cash and cash equivalents at beginning of year  | 1,252,403  |
| Cash and cash equivalents at end of year  | <b>\$ 920,847</b>  |
| <br>Reconciliation of operating loss to net cash<br>used for operating activities:        |  |
| Operating income (loss)   | \$ (399,753)   |
| <br>Adjustments to reconcile operating loss to net<br>cash used for operating activities: |  |
| Changes in assets and liabilities:  |  |
| Accounts receivable   | (5,238)  |
| Claims payable  | 73,435   |
| <b>Net cash used for operating activities</b>   | <b>\$ (331,556)</b>                                      |

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2010

|                                | Private-Purpose<br>Trust | Agency<br>Fund |
|--------------------------------|--------------------------|----------------|
|                                | Scholarship              | Fund           |
| <b>Assets:</b>                 |                          |                |
| Cash and Cash Equivalents      | \$ 116,631               | \$ 59,220      |
| Accounts Receivable            | -                        | 35             |
| Total Assets                   | 116,631                  | 59,255         |
| <b>Liabilities:</b>            |                          |                |
| Accrued wages and benefits     | -                        | 2,054          |
| Pension obligation payable     | -                        | 288            |
| Intergovernmental payable      | -                        | 30             |
| Due to Students                | -                        | 56,883         |
| Total Liabilities              | -                        | \$ 59,255      |
| <b>Net Assets:</b>             |                          |                |
| Held in Trust for Scholarships | 116,631                  |                |
| Total Net Assets               | \$ 116,631               |                |

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

|  | Private-Purpose<br>Trust |
|--|--------------------------|
|  | Scholarship              |
| <b>Additions:</b>                          |                          |
| Gifts and Contributions                    | \$ 16,603                |
| Total Additions                            | 16,603                   |
| <br><b>Deductions:</b>                     |                          |
| Scholarships Awarded                       | 20,534                   |
| Total Deductions                           | 20,534                   |
| <br>Change in Net Assets                   | (3,931)                  |
| <br><b>Net Assets at Beginning of Year</b> | 120,562                  |
| <b>Net Assets at End of Year</b>           | \$ 116,631               |

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

The District employs 198 non-certified and 388 certified employees to provide services to approximately 6,300 students and community groups. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has two component units. The basic financial statements of the reporting entity include those of the District (the primary government), A+ Arts Academy (component unit), and Virtual Community School of Ohio (component unit).

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

*DISCRETELY PRESENTED COMPONENT UNITS*

Virtual Community School of Ohio

The Virtual Community School of Ohio (the "VCS") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The VCS is a conversion school that addresses the needs of students who desire a program of online instruction in an independent environment that does not include the most ancillary components of a more traditional education. The VCS is governed by a Board of Trustees. The VCS Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the VCS, the VCS's purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Trustees of the VCS, the VCS is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the VCS at 160 S. Hamilton Road, Gahanna, Ohio 43230.

A+ Arts Academy

The A+ Arts Academy (the "Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is a conversion school that offers an opportunity for students that show a strong interest or talent in the visual arts. The Academy is governed by a Board of Trustees. The Academy Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the Academy, the Academy's purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Trustees of the Academy, the Academy is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 270 S. Napoleon Ave., Columbus, Ohio 43213.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component units can be found in Note 20 and Note 21, respectively.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*JOINTLY GOVERNED ORGANIZATION*

Metropolitan Educational Council

MEC is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. MEC is established under the Ohio Revised Code Chapter 167 as a regional council of governments. The governing board of MEC consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. MEC provides computer services to the District. Financial information can be obtained from the offices of the Director, Metropolitan Educational Council, 2100 City Gate Drive, Columbus, Ohio 43219.

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Debt service fund - This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

Building fund - This fund is used to account for monies received and expended in connection with the renovation and construction of District buildings.

Classroom facilities fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; or (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

**PROPRIETARY FUNDS**

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

Internal service funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The internal service funds of the District account for self-insurance programs.

**FIDUCIARY FUNDS**

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

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service funds are charges for services. Operating expenses for internal service funds include the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust funds are reported using the economic resources measurement focus. The agency funds do not report a measurement focus as they do not report operations.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting on the fund financial statements. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations and were not available for advance as of June 30, 2010, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010, are recorded as deferred revenue.

On the governmental fund financial statements, "Deferred revenue" consists of both unearned and deferred revenues.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

**E. Budgets**

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

- 1 Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
- 2 By no later than January 20, the Board-adopted budget is filed with the Franklin County Budget Commission for tax rate determination.
- 3 Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2010.
- 4 By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

- 5 Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
- 6 Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
- 7 Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted. The final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
- 8 At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**F. Cash and Investments**

To improve cash management, cash received by the District other than in segregated accounts is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records.

During fiscal year 2010, investments were limited to federal agency securities, a U.S. Government money market fund, and the State Treasury Asset Reserve (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund and food service fund during fiscal year 2010 amounted to \$16,526 and \$207, respectively, which includes \$11,787 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**G. Inventory**

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

On the fund financial statements, reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of donated and purchased food for the District's food service operations.

**H. Capital Assets**

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.

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

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>         | <u>Governmental<br/>Activities<br/>Estimated Lives</u> |
|----------------------------|--|
| Land Improvements          | 10-20 years  |
| Buildings and Improvements | 20-50 years  |
| Furniture and equipment    | 5-15 years   |
| Vehicles                   | 5-15 years   |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” These amounts are eliminated in the governmental type activities columns of the statement of net assets.

**J. Compensated Absences**

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

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

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

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Compensated absences will be paid from the fund from which the employee’s salaries are paid.

**K. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved in the fund financial statements by an amount equal to the carrying value of the asset.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

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

**M. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, tax revenue unavailable for appropriation, library support and Bureau of Workers' Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriations under State statute.

**N. Parochial School**

St. Pius Catholic School operates within the District's boundaries. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. These activities are reported as a governmental activity of the District.

**O. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for BWC refunds. See Note 18 for details.

**P. Estimates**

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**Q. Net Assets**

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

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

**R. Interfund Activity**

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

**S. Unamortized Issuance Costs/Premiums and Discounts**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the debt issue using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Premiums are deferred and amortized over the term of the debt issue. Premiums are presented as an addition to the face amount of the debt.

On the governmental fund financial statements, issuance costs and premiums are recognized in the current period.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District did not have either type of transaction during fiscal year 2010.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 3 – COMPLIANCE AND ACCOUNTING CHANGES**

**A. Deficit Fund Balances**

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

| <u>Nonmajor government fund</u> | <u>Deficit Amount</u> |
|---------------------------------|-----------------------|
| Alternative Schools             | \$ (1,801)            |
| Title VI IDEA B                 | (116,304)             |
| State Fiscal Stabilization      | (32,451)              |
| Team Nutrition                  | (350)                 |
| Limited English Proficiency     | (7,093)               |
| Refugee Children School Impact  | (2,500)               |
| Title I                         | (125,939)             |
| Improving teacher quality       | (10,606)              |

These deficits are the result of the application of generally accepted accounting principles. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

**B. Change in Accounting Principles**

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did have an effect on the financial statements of the District. See Note 11 for disclosure of derivative.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - 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. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$11,662,465 and the bank balance was \$12,281,321. Of the District's bank balance, \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was collateralized in the manner described below.

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

**B. Investments**

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

| Investment Type | Fair Value          | Percent<br>of Total | Investment Maturities |                     |                    |                     |
|-----------------|---------------------|---------------------|-----------------------|---------------------|--------------------|---------------------|
|                 |                     |                     | 6 months<br>or less   | 7 to 12<br>months   | 13 to 18<br>months | 19 to 24<br>months  |
| FHLB            | \$29,578,983        | 41.81%              | \$ 7,750,000          | \$17,852,048        | \$2,947,901        | \$ 1,029,034        |
| FNMA DN         | 4,156,348           | 5.88%               | 4,156,348             | -                   | -                  | -                   |
| FNMA            | 4,561,368           | 6.45%               | -                     | -                   | -                  | 4,561,368           |
| FHLMC DN        | 5,178,160           | 7.32%               | 5,178,160             | -                   | -                  | -                   |
| FFCC            | 6,976,587           | 9.86%               | -                     | 1,679,475           | 5,297,112          | -                   |
| Money market    | 18,624,697          | 26.33%              | 18,624,697            | -                   | -                  | -                   |
| STAR Ohio       | 1,667,177           | 2.36%               | 1,667,177             | -                   | -                  | -                   |
| Total           | <u>\$70,743,320</u> | <u>100%</u>         | <u>\$37,376,382</u>   | <u>\$19,531,523</u> | <u>\$8,245,013</u> | <u>\$ 5,590,402</u> |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The U.S. Government money market funds carry a rating of AAAM by Standard & Poor's. The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The District's policy does not limit the amount invested in U.S. Treasury securities or those instruments guaranteed by the U.S. Treasury. Investments in Federal Agency Instruments/Government Sponsored Enterprise securities and investments in repurchase agreements and certificates of deposit may be made up of 25% and 50%, respectively, of the District's total portfolio.

**C. Reconciliation of Deposits and Investments to the Statement of Net Assets**

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

|   |                      |
|---|----------------------|
| <u>Cash and investments per note</u>                        |                      |
| Carrying amount of deposits                                 | \$ 11,662,465        |
| Investments   | 70,743,320           |
| Total   | <u>\$ 82,405,785</u> |
| <br><u>Cash and investments per statement of net assets</u> |                      |
| Governmental activities                                     | \$ 82,229,934        |
| Private-purpose trust funds                                 | 116,631              |
| Agency fund   | 59,220               |
| Total   | <u>\$ 82,405,785</u> |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances consisted of the following at June 30, 2010, as reported as Due to/from other funds on the governmental fund statements:

| <u>Receivable fund</u> | <u>Payable Fund</u>         | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General Fund           | Nonmajor governmental funds | \$ 16,446     |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

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

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Franklin, Licking and Fairfield Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The amount available as an advance at June 30, 2010 was \$6,515,914 in the general fund, \$2,920,242 in the debt service fund and \$426,837 in the permanent improvement fund, a nonmajor governmental fund. These amounts are recorded as revenue. The amount available for advance at June 30, 2009 was \$5,370,941 in the general fund, \$2,884,766 in the debt service fund and \$398,911 in the permanent improvement fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

|   | <u>2009 Second Half Collections</u> |                | <u>2010 First Half Collections</u> |                |
|---|-------------------------------------|----------------|------------------------------------|----------------|
|   | <u>Amount</u>                       | <u>Percent</u> | <u>Amount</u>                      | <u>Percent</u> |
| Agricultural/Residential<br>and other real estate | \$ 756,234,050                      | 98.37%         | \$ 754,671,780                     | 98.11%         |
| Public Utility Personal                           | 11,563,200                          | 1.49%          | 14,027,980                         | 1.81%          |
| Tangible Personal Property                        | 945,173                             | 0.12%          | 511,617                            | 0.07%          |
| Total   | <u>\$ 768,742,423</u>               | <u>100.00%</u> | <u>\$ 769,211,377</u>              | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation     | \$ 65.70                            |                | \$ 64.90                           |                |

**NOTE 7 - INCOME TAX**

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. The District's income tax revenue for fiscal year 2010 totaled \$4,120,848. The District's income tax revenue is credited to the general fund.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - RECEIVABLES**

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

| <u>Receivable</u>            | <u>Amount</u>        |
|------------------------------|----------------------|
| Property taxes               | \$ 29,692,566        |
| School district income taxes | 1,766,650            |
| Accounts                     | 174,878              |
| Payment in Lieu of Taxes     | 1,467,359            |
| Intergovernmental            | 14,638,724           |
| Accrued Interest             | 24,692               |
| Total                        | <u>\$ 47,764,869</u> |

Receivables have been disaggregated on the face of the financial statements. All receivables, except for \$14,158,594 of intergovernmental grants due from the Ohio Schools Facilities Commission (OSFC), are expected to be collected in the subsequent year. The OSFC grant amount will be collected over the life of the construction project.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - CAPITAL ASSETS**

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

|  | Beginning<br>Balance | Additions            | Deductions         | Ending<br>Balance     |
|--|----------------------|----------------------|--------------------|-----------------------|
| <b>Nondepreciable Capital Assets</b>                                   |                      |                      |                    |                       |
| Land   | \$ 9,048,476         | \$ -                 | \$ -               | \$ 9,048,476          |
| Construction in Progress   | 3,116,609            | 23,239,173           |                    | 26,355,782            |
| <b>Total Nondepreciable Assets</b>                                     | <b>12,165,085</b>    | <b>23,239,173</b>    | <b>-</b>           | <b>35,404,258</b>     |
| <b>Depreciable Capital Assets</b>                                      |                      |                      |                    |                       |
| Land improvements  | 10,252,553           | -                    | -                  | 10,252,553            |
| Buildings and improvements   | 82,085,945           | 1,364,295            | -                  | 83,450,240            |
| Furniture and equipment  | 1,646,245            | 189,523              | (293,846)          | 1,541,922             |
| Vehicles   | 3,858,247            | 20,358               | -                  | 3,878,605             |
| <b>Total Depreciable Assets</b>  | <b>97,842,990</b>    | <b>1,574,176</b>     | <b>(293,846)</b>   | <b>99,123,320</b>     |
| <b>Less accumulated depreciation</b>                                   |                      |                      |                    |                       |
| Land improvements  | (2,956,655)          | (403,860)            | -                  | (3,360,515)           |
| Buildings and improvements   | (24,192,712)         | (2,420,791)          | -                  | (26,613,503)          |
| Furniture and equipment  | (1,002,134)          | (124,293)            | 222,194            | (904,233)             |
| Vehicles   | (3,043,857)          | (236,406)            | -                  | (3,280,263)           |
| <b>Total accumulated depreciation</b>                                  | <b>(31,195,358)</b>  | <b>(3,185,350)</b>   | <b>222,194</b>     | <b>(34,158,514)</b>   |
| <b>Depreciable Capital Assets, Net<br/>of accumulated depreciation</b> | <b>66,647,632</b>    | <b>(1,611,174)</b>   | <b>(71,652)</b>    | <b>64,964,806</b>     |
| <b>Total Capital Assets, Net</b>                                       | <b>\$ 78,812,717</b> | <b>\$ 21,627,999</b> | <b>\$ (71,652)</b> | <b>\$ 100,369,064</b> |

Depreciation expense was charged to the governmental functions as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Regular                           | \$ 65,702           |
| Instructional staff               | 2,105               |
| Administration                    | 61,416              |
| Operations and maintenance        | 5,282               |
| Pupil transportation              | 242,196             |
| Central                           | 14,490              |
| Extracurricular activities        | 109,824             |
| Food service operations           | 18,765              |
| Unallocated depreciation          | 2,665,570           |
| <b>Total depreciation expense</b> | <b>\$ 3,185,350</b> |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LEASES - LESSEE DISCLOSURE**

**A. Capital Lease Obligation**

In prior fiscal years, the District entered into capitalized leases for copiers. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures were budgeted as regular instruction function expenditures; however, they were reclassified as principle and interest expenditures on the budgetary statements.

Principal payments on the capital leases in fiscal year 2010 totaled \$24,196 by the general fund. The remaining \$58,672 owed on the capital leases was cancelled with the termination of the capital leases on May 24, 2010. The District then entered into an operating lease on May 24, 2010 for copiers. The capital asset and corresponding liability were removed from the financial statements due to the termination of the lease. See below for information on the operating leases.

**B. Lease Purchase Agreement**

On January 18, 2007, the District entered into a lease-purchase for school facilities construction through Fifth Third Bank. The source of revenue to fund the principal and interest payments is general operating revenue of the District.

Capital assets consisting of building improvements have been capitalized in the amount of \$300,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2010 was \$120,000, leaving a current book value of \$180,000. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2010 totaled \$61,252 by the permanent improvement fund, a nonmajor governmental fund.

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

| <u>Fiscal Year Ending June 30,</u> | <u>Total</u>     |
|------------------------------------|------------------|
| 2011                               | \$ 67,196        |
| 2012                               | 33,598           |
| Total minimum lease payments       | <u>100,794</u>   |
| Less amount representing interest  | <u>(3,540)</u>   |
| Total                              | <u>\$ 97,254</u> |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LEASES - LESSEE DISCLOSURE - (Continued)**

**C. Operating Lease Agreement**

The District has entered into a noncancelable operating lease for the use of copiers on May 24, 2010. Operating lease payments will be reported as functional expenditures in governmental funds and on budgetary statements. The District will begin operating lease payments in fiscal year 2011 from the General Fund.

The following is a schedule of the future minimum operating lease payments:

| Fiscal Year | Total Payment       |
|-------------|---------------------|
| 2011        | \$ 333,576          |
| 2012        | 333,576             |
| 2013        | 333,576             |
| 2014        | 333,576             |
| 2015        | 333,576             |
| Total       | <u>\$ 1,667,880</u> |

**NOTE 11 - LONG-TERM OBLIGATIONS**

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

|   | Beginning<br>Balance  | Additions         | Reductions            | Ending<br>Balance     | Due Within<br>One Year |
|---|-----------------------|-------------------|-----------------------|-----------------------|------------------------|
| <b>Governmental Activities</b>                      |                       |                   |                       |                       |                        |
| Energy conservation notes                           | \$ 275,000            | \$ -              | \$ (50,000)           | \$ 225,000            | \$ 50,000              |
| General obligation bonds                            | 108,150,996           | -                 | (2,750,800)           | 105,400,196           | 3,455,000              |
| General obligation notes                            | 650,000               | -                 | (120,000)             | 530,000               | 125,000                |
| Bond anticipation notes                             | 8,150,000             | -                 | -                     | 8,150,000             | -                      |
| Capital lease obligation                            | 82,868                | -                 | (82,868)              | -                     | -                      |
| Lease purchase agreement                            | 158,506               | -                 | (61,252)              | 97,254                | 64,097                 |
| Compensated absences                                | 3,751,676             | 453,963           | (821,423)             | 3,384,216             | 611,983                |
| Total governmental activities long-term liabilities | <u>\$ 121,219,046</u> | <u>\$ 453,963</u> | <u>\$ (3,886,343)</u> | 117,786,666           | <u>\$ 4,306,080</u>    |
| Add: unamortized premiums                           |                       |                   |                       | 4,888,230             |                        |
| Total   |                       |                   |                       | <u>\$ 122,674,896</u> |                        |

*Compensated absences:* Compensated absences will be paid from the fund from which the employee's salaries are paid. These amounts will be paid from the general fund and food service, a nonmajor governmental fund.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Capital and Operating lease obligation and lease purchase agreement: The capital and operating lease obligations are being repaid from the general fund. The lease purchase agreement is being repaid from the permanent improvement fund, a nonmajor governmental fund.

**B.** On August 27, 1997, the District issued refunding general obligation bonds. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

This issue is comprised of both current interest bonds, par value \$20,625,000, and capital appreciation bonds, par value \$611,520. The interest rates on the current interest bonds range from 3.80% to 5.45%. A capital appreciation bond matured on December 1, 2009 (approximate initial offering yield at maturity 5.15%).

The remaining capital appreciation bonds mature on December 1, 2010 (approximate initial offering yield at maturity 5.25%), December 1, 2011 (approximate initial offering yield at maturity 5.30%) and December 1, 2012 (approximate initial offering yield at maturity 5.35%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$4,587,632. A total of \$3,037,946 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2010.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year.

On November 29, 2007, the District issued \$9,540,000 in bond anticipation notes to currently refund the callable portion of the 1997 series general obligation bonds. These bond anticipation notes were subsequently purchased, under a purchase agreement, by Dexia Credit Local (Dexia) at which time a swap option was exercised to obligate Dexia to pay the variable interest rate on the bond anticipation notes in return for a fixed rate to be received from the District (see Note 11.I). The District will continue to make the previously scheduled payments on these bonds to Dexia, which will service the bond anticipation notes. An amortization schedule to show the District's future payments to Dexia to service the bond anticipation notes is presented in Note 11.I.

The following is a schedule of activity for fiscal year 2010 on the 1997 series general obligation bonds:

|                                       | Beginning<br>Balance | Additions         | Reductions            | Ending<br>Balance | Due Within<br>One Year |
|---------------------------------------|----------------------|-------------------|-----------------------|-------------------|------------------------|
| General obligatin bonds- series 1997: |                      |                   |                       |                   |                        |
| Capital appreciation bonds            | \$ 611,520           | \$ -              | \$ (192,632)          | \$ 418,888        | \$ 163,260             |
| Accreted interest                     | 3,670,047            | 640,267           | (1,272,368)           | 3,037,946         | 1,301,740              |
| <b>Total G.O. bonds- series 1997</b>  | <b>\$ 4,281,567</b>  | <b>\$ 640,267</b> | <b>\$ (1,465,000)</b> | <b>3,456,834</b>  | <b>\$ 1,465,000</b>    |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the 1997 series general obligation bonds:

| Fiscal Year | Capital Appreciation Bonds |                     |                     |
|-------------|----------------------------|---------------------|---------------------|
|             | Principal                  | Interest            | Total               |
| 2011        | 163,260                    | 1,301,740           | 1,465,000           |
| 2012        | 138,369                    | 1,326,631           | 1,465,000           |
| 2013        | 117,259                    | 1,347,741           | 1,465,000           |
| Total       | <u>\$ 418,888</u>          | <u>\$ 3,976,112</u> | <u>\$ 4,395,000</u> |

C. On March 24, 2003, the District issued general obligation bonds to provide funds for improvements to school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

This issue is comprised of both current interest bonds, par value \$29,455,000, and capital appreciation bonds, par value \$344,979. The interest rates on the current interest bonds range from 2.00% to 5.00%. The capital appreciation bonds matured on December 1, 2008 (approximate initial offering yield at maturity 2.86%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

These bonds were part of a swaption transaction, which is discussed in Note 11.I. At June 30, 2010, the swap option related to this bond issue has not been exercised; therefore, this transaction had no effect on the balance outstanding on this issue.

The following is a schedule of activity for fiscal year 2010 on the 2003 series general obligation bonds:

|                                       | Beginning<br>Balance | Additions   | Reductions          | Ending<br>Balance | Due Within<br>One Year |
|---------------------------------------|----------------------|-------------|---------------------|-------------------|------------------------|
| General obligatin bonds- series 2003: |                      |             |                     |                   |                        |
| Current interest bonds                | \$ 25,615,000        | \$ -        | \$ (760,000)        | \$ 24,855,000     | \$ 780,000             |
| Total G.O. bonds- series 2003         | <u>\$ 25,615,000</u> | <u>\$ -</u> | <u>\$ (760,000)</u> | <u>24,855,000</u> | <u>\$ 780,000</u>      |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the 2003 series general obligation bonds:

| Fiscal Year | Current Interest Bonds- Series 2003 |                      |                      |
|-------------|-------------------------------------|----------------------|----------------------|
|             | Principal                           | Interest             | Total                |
| 2011        | 780,000                             | 1,075,793            | \$ 1,855,793         |
| 2012        | 805,000                             | 1,051,011            | 1,856,011            |
| 2013        | 830,000                             | 1,023,405            | 1,853,405            |
| 2014        | 860,000                             | 993,830              | 1,853,830            |
| 2015        | 890,000                             | 962,538              | 1,852,538            |
| 2016-2020   | 4,990,000                           | 4,239,739            | 9,229,739            |
| 2021-2025   | 6,185,000                           | 3,016,032            | 9,201,032            |
| 2026-2030   | 7,735,000                           | 1,420,305            | 9,155,305            |
| 2031        | 1,780,000                           | 44,500               | 1,824,500            |
| Total       | <u>\$ 24,855,000</u>                | <u>\$ 13,827,153</u> | <u>\$ 38,682,153</u> |

**D.** On April 6, 2005, the District issued general obligation bonds to provide funds for construction and improvements to school facilities in the amount of \$23,950,000 with a variable interest rate from 3.00% to 5.00%. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

These bonds were part of a swaption transaction, which is discussed in Note 11.I. At June 30, 2010, the swap option related to this bond issue has not been exercised; therefore, this transaction had no effect on the balance outstanding on this issue.

The following is a schedule of activity for fiscal year 2010 on the 2005 series general obligation bonds:

|                                       | Balance              | Additions   | Reductions          | Balance           | One Year          |
|---------------------------------------|----------------------|-------------|---------------------|-------------------|-------------------|
| General obligatin bonds- series 2005: |                      |             |                     |                   |                   |
| Current interest bonds                | \$ 22,225,000        | \$ -        | \$ (545,000)        | \$ 21,680,000     | \$ 560,000        |
| Total G.O. bonds- series 2005         | <u>\$ 22,225,000</u> | <u>\$ -</u> | <u>\$ (545,000)</u> | <u>21,680,000</u> | <u>\$ 560,000</u> |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the 2005 series general obligation bonds:

| Fiscal Year | Current Interest Bonds- Series 2005 |                      |                      |
|-------------|-------------------------------------|----------------------|----------------------|
|             | Principal                           | Interest             | Total                |
| 2011        | \$ 560,000                          | \$ 1,018,850         | \$ 1,578,850         |
| 2012        | 580,000                             | 998,900              | 1,578,900            |
| 2013        | 600,000                             | 976,750              | 1,576,750            |
| 2014        | 625,000                             | 952,250              | 1,577,250            |
| 2015        | 650,000                             | 926,750              | 1,576,750            |
| 2016-2020   | 3,680,000                           | 4,179,800            | 7,859,800            |
| 2021-2025   | 4,675,000                           | 3,156,375            | 7,831,375            |
| 2026-2030   | 5,965,000                           | 1,832,125            | 7,797,125            |
| 2031-2033   | 4,345,000                           | 318,625              | 4,663,625            |
| Total       | <u>\$ 21,680,000</u>                | <u>\$ 14,360,425</u> | <u>\$ 36,040,425</u> |

**E.** On July 9, 2008, the District issued general obligation bonds to provide funds for construction and improvements to school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

This issue is comprised of both current interest bonds, par value \$55,935,000, and capital appreciation bonds, par value \$64,988. The interest rates on the current interest bonds range from 3.00% to 5.25%. The capital appreciation bonds mature on December 1, 2016 (approximate initial offering yield at maturity 4.30%) and December 1, 2017 (approximate initial offering yield at maturity 4.42%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,500,000. A total of \$83,374 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2010.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

At June 30, 2010 there was \$51,118,279 in unspent proceeds remaining on this bond issue.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal year 2010 on the 2008 series general obligation bonds:

|  | Beginning<br>Balance | Additions        | Reductions          | Ending<br>Balance | Due Within<br>One Year |
|--|----------------------|------------------|---------------------|-------------------|------------------------|
| General obligation bonds- series 2008: |                      |                  |                     |                   |                        |
| Current interest bonds                 | \$ 55,935,000        | \$ -             | \$ (675,000)        | \$ 55,260,000     | \$ 650,000             |
| Capital appreciation bonds             | 64,988               | -                | -                   | 64,988            | -                      |
| Accreted interest                      | 29,441               | 53,933           | -                   | 83,374            | -                      |
| Total G.O. bonds- series 2008          | <u>\$ 56,029,429</u> | <u>\$ 53,933</u> | <u>\$ (675,000)</u> | <u>55,408,362</u> | <u>\$ 650,000</u>      |

| Fiscal Year | Current Interest Bonds- Series 2008 |                      |                      | Capital Appreciation Bonds |                     |                     |
|-------------|-------------------------------------|----------------------|----------------------|----------------------------|---------------------|---------------------|
|             | Principal                           | Interest             | Total                | Principal                  | Interest            | Total               |
| 2011        | \$ 650,000                          | \$ 2,642,863         | \$ 3,292,863         | \$ -                       | \$ -                | \$ -                |
| 2012        | 670,000                             | 2,622,226            | 3,292,226            | -                          | -                   | -                   |
| 2013        | 870,000                             | 2,596,112            | 3,466,112            | -                          | -                   | -                   |
| 2014        | 905,000                             | 2,564,484            | 3,469,484            | -                          | -                   | -                   |
| 2015        | 940,000                             | 2,530,456            | 3,470,456            | -                          | -                   | -                   |
| 2016-2020   | 6,065,000                           | 12,142,853           | 18,207,853           | 64,988                     | 2,435,012           | 2,500,000           |
| 2021-2025   | 14,670,000                          | 9,338,888            | 24,008,888           | -                          | -                   | -                   |
| 2026-2030   | 19,615,000                          | 5,364,769            | 24,979,769           | -                          | -                   | -                   |
| 2031-2033   | 10,875,000                          | 711,125              | 11,586,125           | -                          | -                   | -                   |
| Total       | <u>\$ 55,260,000</u>                | <u>\$ 40,513,776</u> | <u>\$ 95,773,776</u> | <u>\$ 64,988</u>           | <u>\$ 2,435,012</u> | <u>\$ 2,500,000</u> |

**F.** During fiscal year 1999, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements. Since these notes are long-term in nature and used for capital acquisition, they are reported as component of long-term obligations on the statement of net assets. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2010:

|                           | Interest<br>Rate | Issue<br>Date | Maturity<br>Date | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Due Within<br>One Year |
|---------------------------|------------------|---------------|------------------|----------------------|-----------|-------------|-------------------|------------------------|
| Energy conservation notes | 5.05%            | 12/01/98      | 12/1/13          | \$ 275,000           | \$ -      | \$ (50,000) | \$ 225,000        | \$ 50,000              |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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

| Fiscal Year | Current Interest Bonds- Series 2005 |                  |                   |
|-------------|-------------------------------------|------------------|-------------------|
|             | Principal                           | Interest         | Total             |
| 2011        | \$ 50,000                           | \$ 10,100        | \$ 60,100         |
| 2012        | 55,000                              | 7,449            | 62,449            |
| 2013        | 60,000                              | 4,545            | 64,545            |
| 2014        | 60,000                              | 1,515            | 61,515            |
| Total       | <u>\$ 225,000</u>                   | <u>\$ 23,609</u> | <u>\$ 248,609</u> |

**G.** On July 1, 2003, the District issued general obligation notes to provide funds for energy improvements to school facilities. These notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Since these notes are long-term in nature and used for capital acquisition, they are reported as component of long-term obligations on the statement of net assets. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund.

This issue is comprised of both current interest notes, par value \$1,255,000, and capital appreciation notes, par value \$62,118. The interest rates on the current interest notes range from 2.00% to 5.00%. The capital appreciation notes matured on December 1, 2008 (approximate initial offering yield at maturity 3.06%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

Interest payments on the current interest notes are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2013.

The following is a schedule of activity for fiscal year 2010 on the 2004 series general obligation notes:

|                                       | Beginning<br>Balance | Additions   | Reductions          | Ending<br>Balance | Due Within<br>One Year |
|---------------------------------------|----------------------|-------------|---------------------|-------------------|------------------------|
| General obligatin notes- series 2004: |                      |             |                     |                   |                        |
| Current interest bonds                | \$ 650,000           | \$ -        | \$ (120,000)        | \$ 530,000        | \$ 125,000             |
| Total G.O. notes- series 2004         | <u>\$ 650,000</u>    | <u>\$ -</u> | <u>\$ (120,000)</u> | <u>530,000</u>    | <u>\$ 125,000</u>      |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the 2004 series general obligation notes:

| Fiscal Year | Current Interest Notes- Series 2004 |                  |                   |
|-------------|-------------------------------------|------------------|-------------------|
|             | Principal                           | Interest         | Total             |
| 2011        | \$ 125,000                          | \$ 16,798        | \$ 141,798        |
| 2012        | 130,000                             | 12,523           | 142,523           |
| 2013        | 135,000                             | 7,784            | 142,784           |
| 2014        | 140,000                             | 2,660            | 142,660           |
| Total       | <u>\$ 530,000</u>                   | <u>\$ 39,765</u> | <u>\$ 569,765</u> |

**H.** On November 29, 2007, the District issued bond anticipation notes in the amount of \$9,540,000 to refund the callable portion of the 1997 series general obligation bonds (see Note 11.B). These bond anticipation notes were subsequently purchased by Dexia Credit Local (Dexia) and a swap option was exercised obligating Dexia to pay the variable interest rate due on the notes in return for a fixed rate to be received by the District (see Note 11.I for detail).

**I. Refunding and Sold Options**

In 2008, the District entered into an agreement with Dexia for Dexia to purchase bond anticipation notes that were or may be issued to refund a portion of the general obligation bonds discussed in Note 11.B. (1997 issue), Note 11.C. (2003 issue) and Note 11.D. (2005 issue). These refunding bond anticipation notes, as or if issued, bear or would bear variable interest rates based upon the Securities Industry and Financial Markets Association (SIFMA, formerly the Bond Marketing Association, BMA) Municipal Swap Index plus 29 basis points (0.29%).

Simultaneously, the District entered into options (swap options, or swaptions) which, as or if exercised, would obligate Dexia to pay the variable interest due on the notes and receive a fixed rate from the District. Dexia paid the District \$2,416,000 for these swaptions, which, net of fees and expenses of \$899,088, resulted in \$1,516,912 being deposited into the District's permanent improvement fund, a nonmajor governmental fund, to be used for various capital projects.

The notes related to \$9,540,000 of the 1997 issue were issued November 29, 2007. The notes related to the 2003 and 2005 issues have not yet been issued (and may never be issued) to refund up to \$21,580,000 of the 2003 issue and up to \$18,665,000 of the 2005 issue. Dexia has agreed to purchase these notes, if offered by the District, starting, for the 2003 issue, at June 1, 2013, December 1, 2013, or June 1, 2014 for \$21,580,000 or for such lesser principal amounts at specified later dates as the related bonds otherwise are redeemed through normal processes; for the 2005 issue, at December 31, 2014 or June 1, 2015, for \$18,665,000 or for such lesser principal amounts at specified later dates as the related bonds otherwise are redeemed through normal processes.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The purpose of the interest rate swap transactions with Dexia was to or would be to hedge the exposure of the District against interest rate fluctuations arising from the variable rates borne by these bond anticipation notes. Under the swap agreement, the District is or would be the fixed rate payer, paying fixed rates ranging from approximately 5.38% to 5.45% on the 1997 issue; approximately 4.54% to 5.00% on the 2003 issue, and approximately 4.625% to 4.967% on the 2005 issue. The counterparty, Dexia, is or would be the floating rate payer, paying the actual variable rate borne by the notes. The floating rates are or would be determined in accordance with the weekly SIFMA Swap Index.

The following is a schedule of activity for fiscal year 2010 on the bond anticipation notes related to the swap transaction on the 1997 bond issue:

|                              | Beginning<br>Balance | Additions   | Reductions  | Ending<br>Balance | Due Within<br>One Year |
|------------------------------|----------------------|-------------|-------------|-------------------|------------------------|
| Bond anticipation notes-swap | \$ 8,150,000         | \$ -        | \$ -        | \$ 8,150,000      | \$ -                   |
| Total B.A.N.- swap           | <u>\$ 8,150,000</u>  | <u>\$ -</u> | <u>\$ -</u> | <u>8,150,000</u>  | <u>\$ -</u>            |

The following is a schedule of the Districts future obligations to Dexia for the bond anticipation notes issued in the swap transaction:

| Fiscal Year | Bond Anticipation Notes |                     |                      |
|-------------|-------------------------|---------------------|----------------------|
|             | Principal               | Interest            | Total                |
| 2011        | \$ -                    | \$ 444,175          | \$ 444,175           |
| 2012        | -                       | 444,175             | 444,175              |
| 2013        | -                       | 444,175             | 444,175              |
| 2014        | 1,460,000               | 404,390             | 1,864,390            |
| 2015        | 1,540,000               | 322,640             | 1,862,640            |
| 2015-2018   | 5,150,000               | 430,278             | 5,580,278            |
| Total       | <u>\$ 8,150,000</u>     | <u>\$ 2,489,833</u> | <u>\$ 10,639,833</u> |

Payments to Dexia are due June 1 and December 1 each year.

Dexia has committed to purchase the notes related to the 2003 and 2005 issues if the District presents notice to Dexia that it is, in fact, entering into the swaps. The termination dates under these swap agreements coincide with the maturity dates of the respective issues. The swap agreements may be terminated prior to their stated termination dates under certain circumstances. Upon termination, a payment may be owed by the District to the counterparty (Dexia), or by the counterparty to the District, depending upon the prevailing economic circumstances at the time of the termination and the District would again be exposed to the variable interest rates of the notes. The District would also be exposed to the variable interest rates if the counterparty to the swap defaults on its obligation to pay the variable interest required under the swap agreement.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The obligation of the District under the swap agreements to make the periodic fixed rate payments (but not the termination payment) is secured by a pledge of ad valorem taxes, similar in most respects to the pledge of such taxes for the related bonds to be refunded. Because these notes have not been issued (and may never be issued) there is no requirement at the present time to describe debt service requirements to maturity for the refunding of the 2003 and 2005 issues.

On the fund financial statements, swap premiums and transaction costs were recognized upon receipt. On the entity-wide statements, swap premiums and transaction costs are amortized upon execution of the swap over the life of the obligation. At June 30, 2010, only the swap option related to the series 1997 bonds has been exercised. Premium and transaction costs related to the 1997 swap option in the amounts of \$771,000 and \$254,295, respectively, are being amortized in the statement of activities. Premium and transaction costs related to the 2003 swap option in the amounts of \$830,000 and \$348,762, respectively, and premium and transaction costs related to the 2005 swap option in the amounts of \$815,000 and \$296,031, respectively, have not been exercised and therefore amortization of charges has not been reported in fiscal year 2010. The unamortized balances of the swap premiums and transaction costs are reported on the statement of net assets at June 30, 2010.

Terms: In September, 2007, the District sold options to Dexia Credit Local that gives Dexia the right to execute an interest rate swap at its discretion at any time until the option expires on a declining notional amount equal to the outstanding principal amount of the 1997, 2003, and 2005 bond issues, starting at various future dates, as described above. Under the swap agreements, the District will be the fixed rate payer, paying the fixed rates described above, and Dexia will be the floating rate payer, paying interest on the outstanding notional amounts described above at a rate equal to the weekly Securities Industry and Financial Markets Association (SIFMA) Municipals index, formerly known as the Bond Market Association (BMA) index. If the options for the 2003 and 2005 issues are exercised, the stated termination dates under the swap agreements with Dexia would coincide with the maturity dates of the respective issues. The obligation of the District under the swap agreement to make periodic fixed rate payments (but not any termination payment) is secured by a pledge of ad valorem tax receipts.

Objective: The District entered into the swap and the swaptions in order to maximize the savings associated with the refunding of the bonds and to reduce the District's risk exposure. The actual overall savings to be realized by the District will depend upon the net payments received under the swap agreements.

Basis Risk: There is no basis risk for the District associated with this transaction with the exception of the risk inherent in all variable rate debt. The District pays or would pay fixed rates as agreed upon between the District and Dexia, which rates approximate but do not exactly equal the fixed rates the District is paying on the existing bonded debt for the issues. Dexia is or will be paying the weekly SIFMA rate, however, it simultaneously has agreed to purchase the notes; in effect, Dexia is, or would be paying itself, and receives or would receive the fixed rate inherent in the note purchase agreements.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Counterparty Risk: Over the long-term, it is possible that the credit strength of Dexia could change and this event could trigger termination payments or other remedies on the part of Dexia or the District. In fact, Dexia's credit rating has been down-graded since the swap agreements were entered into, which triggered certain disclosures by Dexia, but no payments or other adverse events affecting the District. Counterparty risk is minimized in this case because, as noted above, Dexia basically is paying itself the variable rates and is receiving or would be receiving the fixed rates from the District.

Termination Risk: The swap agreements may be terminated prior to their stated termination date under certain circumstances. Upon termination, a payment may be owed by the District to Dexia, or by Dexia to the District, depending upon the prevailing economic circumstances at the time of the termination.

The fair values of hedging derivative instruments at fiscal year-end, as reported by Dexia, which would be payable by the District were: \$1,433,706, \$2,043,142, and \$1,866,504 for the 1997 issue, 2003 issue, and 2005 issue, respectively. The aggregate fair value of hedging derivative instruments is reported in the Statement of Net Assets as "Derivative Instruments". At June 30, 2010, this liability is equally offset with an asset titled "Deferred Outflows". During the fiscal year, the aggregate fair value of the District's derivative instruments liability increased \$853,651.

**J. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, resulted in no remaining voted debt margin and an unvoted debt margin of \$769,211. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated a "special needs" school district as permitted by Ohio Revised Code Section 133.06(E).

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 12 - COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from board policy, board minutes, negotiated agreements and State laws. Only the administrators and 12-month classified employees earn 10 to 20 days of vacation per year, depending upon length of service.

Vacation Pay: Upon separation from employment a full-time employee shall be entitled to compensation a his/her current rate of pay for all lawfully accrued and unused vacation leave to his/her credit at the time of separation.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 248 days for certificated employees and 260 days for classified employees.

Service Retirement: Upon retirement, employees shall receive in one lump sum, payment equal to twenty-five percent of accumulated unused sick leave. The severance payment is based upon the schedule utilizing the employees' accumulated sick leave, up to a maximum of 248 days for certificated employees and 256 days for classified employees.

**NOTE 13 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The following is a description of the District's insurance coverage:

| Coverage                     | Insurer       | Limits of Coverage | Deductible |
|------------------------------|---------------|--------------------|------------|
| Education liability:         |               |                    |            |
| Each occurrence              | Ohio Casualty | \$ 1,000,000       | \$ -       |
| Aggregate                    |               | 2,000,000          | -          |
| Umbrella liability:          |               |                    |            |
| Each occurrence              | Ohio Casualty | 5,000,000          | -          |
| Aggregate                    |               | 5,000,000          | -          |
| Building and contents        | Ohio Casualty | 145,188,200        | 5,000      |
| Business auto:               |               |                    |            |
| Each occurrence              | Ohio Casualty | 1,000,000          | -          |
| Employee benefits liability: |               |                    |            |
| Each occurrence              | Ohio Casualty | 1,000,000          | 1,000      |
| Aggregate                    |               | 3,000,000          | -          |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 13 - RISK MANAGEMENT - (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal 2010.

**B. Health Care Self-Insurance Program**

The District provides medical coverage for its employees and is self-insured up to a stop loss limit for the cost of providing this coverage. The District is covered by an annual stop loss of approximately \$130,000 per month, and by an annual aggregate stop loss of approximately \$2,000,000 per year. This activity is accounted for as an internal service fund.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on past experience and known balances. The liability at June 30, 2010, is not discounted.

The claims liability of \$707,630 is reported in the internal service funds at June 30, 2010 and is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the current and past fiscal years are as follows:

| Fiscal<br>Year | Beginnng<br>Balance | Current<br>Claims | Claim<br>Payments | Ending<br>Balance |
|----------------|---------------------|-------------------|-------------------|-------------------|
| 2010           | \$ 634,195          | \$6,321,840       | \$(6,248,405)     | \$ 707,630        |
| 2009           | 1,096,400           | 5,994,436         | (6,456,641)       | 634,195           |

**C. Workers' Compensation Group Rating Plan**

For fiscal year 2010, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employee Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling 800-878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirements Board. The Retirement Board acting with the advice of the actuary, allocates the employers contribution rate among four of the funds (Pension Trust fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate allocated to the Health care and Medicare B funds. The District's contribution to SERS for the years ended June 30, 2010, 2009 and 2008, were \$1,119,747, \$733,607 and \$728,484, respectively, 42 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The District's unpaid contribution for fiscal year 2010 has been recorded as a liability in the appropriate funds.

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

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* can be requested in writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 - PENSION PLANS - (Continued)**

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 – PENSION PLANS – (Continued)**

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2010, 2009, and 2008 were \$3,602,040, \$3,906,104, and \$3,800,752, respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The District's unpaid contribution for fiscal year 2010 has been recorded as a liability in the appropriate funds.

**C. Social Security System**

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

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 (latest available) was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is .76 percent. The District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$66,589, \$60,529, and \$52,489, respectively, 42 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2010, 2009, and 2008 were \$141,611, \$494,905, and \$479,165, respectively, 42 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

Plan Description - The District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$277,080, \$300,470, and \$292,366, respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

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

**Net Change in Fund Balance**

|   | <u>General Fund</u> |
|---|---------------------|
| Budget Basis                            | \$ (22,016)         |
| Net adjustment for revenue accruals     | 984,252             |
| Net adjustment for expenditure accruals | 1,541,837           |
| Net adjustment for advances, net        | 7,245               |
| Adjustment for encumbrances             | 329,114             |
| GAAP basis                              | \$ 2,840,432        |

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is party to various other legal proceedings. The District's management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse affect on the District's financial position.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 18 - STATUTORY RESERVES**

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

|   | Textbooks/<br>Instructional<br>Materials | Capital<br>Acquisition | BWC Refunds |
|---|--|------------------------|-------------|
| Set-aside cash balance<br>as of June 30, 2009       | \$ -                                     | \$ -                   | \$ 172,006  |
| Current fiscal year set-aside requirement           | 1,047,481                                | 1,047,481              | -           |
| Current year qualifying disbursements               | (171,735)                                | -                      | (172,006)   |
| Excess qualifying disbursements from prior<br>years | (875,746)                                | -                      | -           |
| Prior Year Offset from Bond Proceeds                | -  | (1,047,481)            | -           |
| <b>Total</b>  | <b>\$ -</b>                              | <b>\$ -</b>            | <b>\$ -</b> |
| <br>  |  |                        |             |
| Balance carried forward to FY 2011                  | \$ -                                     | \$ -                   | \$ -        |
| <br>  |  |                        |             |
| Set Aside Reserve Balance June 30, 2010             | \$ -                                     | \$ -                   | \$ -        |

The District had qualifying disbursements from prior years that reduced the set-aside amounts to zero for the textbooks/instructional materials reserve. The District still has \$3,208,870 in qualifying disbursements that may be used to reduce the set-aside requirement for future years. During fiscal year 2003, the District issued \$29,800,000 in capital related debt based on a building project under taken by the District. During fiscal year 2005, the District issued \$23,950,000 in capital related debt for a new building project. During fiscal year 2009, the District issued \$55,999,988 in capital related debt for a new building project. Those proceeds may be used as qualifying disbursements to reduce the capital acquisition to zero for future years. Therefore, the District still has \$107,123,321 in qualifying disbursements that may be used to reduce the set-aside requirement for future years.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 19 - CONTRACTUAL COMMITMENTS**

As of June 30, 2010, the District has commitments with the following companies for the construction project.

| <u>Vendor</u>                 | <u>Contract<br/>Amount</u>  | <u>Amount Paid<br/>As of<br/>June 30, 2010</u> | <u>Amount<br/>Remaining<br/>on Contract</u> |
|-------------------------------|-----------------------------|--|---|
| Accurate Electric             | \$ 6,206,050                | \$ 817,941                                     | \$ 5,388,109                                |
| Claggett & Sons Inc.          | 2,340,000                   | 1,750,458                                      | 589,542                                     |
| Claypool Electric             | 1,946,300                   | 1,760,824                                      | 185,476                                     |
| Crawford Mechanical           | 1,367,000                   | 1,144,625                                      | 222,375                                     |
| Farnham Equipment             | 685,000                     | -  | 685,000                                     |
| Game Time                     | 126,500                     | -  | 126,500                                     |
| George J. Igel Co. Inc.       | 3,357,466                   | 3,226,081                                      | 131,385                                     |
| Gutridge Plumbing             | 3,876,000                   | 672,426  | 3,203,574                                   |
| H&A Mechanical                | 937,000                     | 172,506  | 764,494                                     |
| Middleton Geothermal Services | 1,399,088                   | 1,353,148                                      | 45,940                                      |
| Moody Nolan                   | 3,034,012                   | 1,334,755                                      | 1,699,257                                   |
| Muetzel Plumbing and Heating  | 252,225                     | 72,186   | 180,039                                     |
| Peabody Landscape Group       | 139,526                     | -  | 139,526                                     |
| Smoot, Elford, McDaniels      | 887,003                     | 231,311  | 655,692                                     |
| Stafford Smith Inc            | 680,000                     | -  | 680,000                                     |
| Synergy Group                 | 17,810,742                  | 3,423,879                                      | 14,386,863                                  |
| T.B. Penick & Sons            | 889,000                     | -  | 889,000                                     |
| TP Mechanical Contractors     | 230,014                     | 59,390   | 170,624                                     |
| TS Randall                    | 1,268,400                   | 347,730  | 920,670                                     |
| <b>Total</b>                  | <u><u>\$ 47,431,326</u></u> | <u><u>\$16,367,260</u></u>                     | <u><u>\$31,064,066</u></u>                  |

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable in the amount of \$3,444,657 for costs incurred prior to fiscal year-end on the OSFC project. Costs incurred by fiscal year-end have been recorded as construction-in-progress in the District's capital assets (See Note 9).

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO**

**A. Description of the School**

The Virtual Community School of Ohio, Franklin County, Ohio (the "VCS") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the VCS's tax exempt status. The VCS's objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The VCS, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The VCS may acquire facilities as needed and contract for any services necessary for the operation of the school. The VCS is considered a component unit of the Reynoldsburg City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units".

The VCS was approved for operation under a contract with the Reynoldsburg City School District (the "Sponsor") for a period of five academic years commencing after July 1, 2006. The Sponsor is responsible for evaluating the performance of the VCS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The VCS is designed to operate under the direction of a self-appointed five-member Board of Directors (the "Board"), however, during fiscal year 2010, beginning in November 2008, the Board consisted of four members. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the VCS's one instructional/support facility staffed by 22 non-certified staff members and 77 certificated full time teaching personnel who provide services to 1,315 students.

The VCS contracts with eSchool Consultants, LLC for a variety of consulting services including personnel and human resources, the program of instruction, purchasing strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

**B. Summary of Significant Accounting Policies**

The basic financial statements of the VCS have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The VCS also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The VCS has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The VCS has elected not to apply these FASB Interpretations. The VCS's significant accounting policies are described below.

***Basis of Presentation*** - The VCS uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

***Measurement Focus and Basis of Accounting*** - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

***Budgetary Process*** - Unlike other public school districts located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code (ORC) Chapter 5705, except House Bill 364, which took effect April 8, 2003, added ORC Section 3314.03 (11)(d), which states that community schools must comply with ORC Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

***Cash*** - All monies received by the VCS are deposited in a demand deposit account.

***Capital Assets and Depreciation*** - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The VCS has maintained a capitalization threshold of \$700. The VCS does not have any infrastructure. 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, but are expended when incurred.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Computer equipment is depreciated over three years and copiers and furniture are depreciated over five years.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

*Net Assets* - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The VCS applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*Intergovernmental Revenue* - The VCS currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under The State Foundation Program for fiscal year 2010 totaled \$9,498,611.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the VCS must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the VCS on a reimbursement basis. Federal and State grant revenue for the fiscal year 2010 was \$2,796,655.

*Estimates* - The preparation of financial statements in conformity with GAAP 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.

*Compensated Absences Policy* - 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 VCS will compensate the employees for the benefits through paid time off. The VCS records a liability for accumulated unused vacation time when earned by employees.

Personal leave benefits are not a liability as it is the policy of the VCS to convert all unused personal leave at fiscal year end to sick leave. Personal leave benefits are not carried over from one year to the next. Sick leave benefits are prescribed by ORC Section 3319.141. Employees accumulate leave at a rate of 1 ¼ days per month to a maximum of 240 days.

*Operating Revenues and Expenses* - Operating revenues are those revenues that are generated directly from the primary activity of the VCS. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the VCS. All revenues and expenses not meeting this definition are reported as non-operating.

**C. Change in Accounting Principles**

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

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

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

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

**D. Deposits**

At June 30, 2010, the carrying amount of the VCS's deposits was \$862,228. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$780,802 of the VCS's bank balance of \$1,030,802 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

**E. Capital Assets**

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

|                                 | Beginning<br>Balance | Additions           | Deletions          | Ending<br>Balance |
|---------------------------------|----------------------|---------------------|--------------------|-------------------|
| Equipment                       | \$ 2,708,737         | \$ 15,354           | \$ (24,608)        | \$ 2,699,483      |
| Less Accumulated Depreciation   | (2,191,782)          | (139,300)           | 4,525              | (2,326,557)       |
| Depreciable Capital Assets, Net | <u>\$ 516,955</u>    | <u>\$ (123,946)</u> | <u>\$ (20,083)</u> | <u>\$ 372,926</u> |

**F. Receivables**

At June 30, 2010, receivables consisted of tuition and intergovernmental revenues which are considered collectible within one year and presented on the statement of net assets in the amount of \$295,895.

**G. Purchased Services**

For fiscal year ended June 30, 2010, purchased services expenses were as follows:

|                                 |                     |
|---------------------------------|---------------------|
| Professional technical services | \$ 4,085,091        |
| Property services               | 538,392             |
| Travel and meetings             | 120,410             |
| Communication services          | 310                 |
| Utilities                       | 52,452              |
| Contracted Services             | 645,390             |
| Tuition                         | 313,829             |
| Pupil Transportation            | 9,842               |
| Other Services                  | 1,095               |
| Total                           | <u>\$ 5,766,811</u> |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

**H. Long-Term Obligations**

Changes in the VCS's long-term obligations during fiscal year 2010 were as follows:

|                             | Beginning<br>Balance | Additions        | Deletions           | Ending<br>Balance | Due Within<br>One Year |
|-----------------------------|----------------------|------------------|---------------------|-------------------|------------------------|
| Payable to ODE              | \$ 332,420           | \$ -             | \$ (237,443)        | \$ 94,977         | \$ 94,977              |
| ompenated Absences          | 141,646              | 97,667           | (111,586)           | 127,727           | 101,746                |
| Total long-term liabilities | <u>\$ 474,066</u>    | <u>\$ 97,667</u> | <u>\$ (349,029)</u> | <u>\$ 222,704</u> | <u>\$ 196,723</u>      |

Payable to ODE: the VCS has recorded a liability for fiscal year 2004 foundation overpayments due to the Ohio Department of Education (ODE). The interest rate is 0% and the repayment began in January 2005 via reductions made by ODE to the VCS's foundation payments. Due to an oversight at ODE, while transitioning to a new method of tracking repayments, no reductions were made during fiscal year 2007. ODE extended the repayment period to compensate for the oversight. Future foundation payments will be reduced to repay the liability. See Note 17.B. for details regarding the overpayment.

Compensated absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

Schedule of payments for the amount payable to ODE is as follows:

| Year Ending<br>June 30 | Amount           |
|------------------------|------------------|
| 2011                   | <u>\$ 94,977</u> |
| Total Payments         | <u>\$ 94,977</u> |

**I. Operating Lease-Office Space**

The VCS entered into two lease contracts with eSchool Consultants, LLC, which commenced on July 1, 2008. These agreements are for office space at 4480 Refugee Road, Columbus, Ohio. This office space is made up of 4,513 square feet on the north side of the building and 7,352 square feet on the south side of the building. Lease payments for the north side space are \$4,137 per month from July 2009 through June 2010. Lease payments for the south side space are \$6,739 per month from July 2009 through June 2010.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

Lease payments for these offices totaled \$130,512 during fiscal year 2010. Over the term of the leases there are scheduled rent increases, but no scheduled rent holidays, and the leases are renewable by either party at expiration. The future minimum lease payments are noted in the following table.

| Year Ending<br>June 30 | Office<br>Space Leases |
|------------------------|------------------------|
| 2011                   | \$ 137,448             |
| 2012                   | 142,380                |
| 2013                   | 148,312                |
| Total Payments         | <u>\$ 428,140</u>      |

**J. Sponsorship Agreement with Reynoldsburg City School District**

The VCS has entered into a sponsorship agreement with Reynoldsburg City School District, its Sponsor, whereby, the Sponsor shall receive compensation for services provided to VCS. As part of this agreement, the VCS shall compensate the Sponsor two percent (2%) of the per-pupil allocation (foundation) paid to the VCS by the State of Ohio. For this fee, the Sponsor shall provide the VCS Treasurer with fiscal oversight and administrative support related to the following:

- i.* Support to ensure that the financial records of the VCS are maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State.
- ii.* Compliance with the policies and procedures regarding internal financial control of the VCS.
- iii.* Compliance with the requirements and procedures for financial audits by the Auditor of State.

During fiscal year 2010, the VCS paid the Sponsor of \$103,762 under this agreement.

**K. Consulting Contract**

The VCS entered into a consulting contract with eSchool Consultants, LLC, an Ohio Corporation on March 28, 2002 for fifty-one months. This contract was renewed on June 22, 2005 and runs from July 1, 2005 to June 30, 2011. Contract provisions requires eSchool Consultants to design, develop, implement curriculum and instruction programs, recruitment programs, marketing and public relations programs, exemplary interactive computer requirements, staff requirement program, comprehensive grant-seeking programs, a continuous improvement plan and to facilitate the computer/technology lease/purchase agreements. Under the agreement, eSchool consultants shall bill the VCS for services rendered. As services are incurred the VCS is billed. All billings are due within 30 days.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

For the fiscal year 2010, eSchool Consultants billed the VCS \$4,961,432, for support and services rendered under the contractual agreement of which \$379,981 is payable at June 30, 2010. This amount is included in the accompanying financial statements as a current liability.

**L. Pension Plans**

*School Employees Retirement System* - Plan Description - The VCS contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the VCS is required to contribute at an actuarially determined rate. The current VCS rate is 14 percent of annual covered payroll. A portion of the VCS's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The VCS's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$97,849, \$134,442 and \$128,527, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

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.

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

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

The VCS's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$438,723, \$423,255 and \$457,709, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$19,208 made by the VCS and \$13,720 made by the plan members.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

**M. Postemployment Benefits**

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

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

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

The VCS's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$22,411, \$83,215 and \$80,823, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The VCS's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$5,819, \$11,093 and \$9,261, respectively; 100 percent has been contributed for fiscal year 2010, 2009 and 2008.

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The VCS's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$33,748, \$32,558 and \$35,208, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**N. Other Employee Benefits**

**Medical, Life, Dental and Vision Insurance Benefits** - The VCS provides medical benefits through United HealthCare. Dental and life benefits are through MetLife and vision through Vision Service Plan (VSP). The VCS offers individual and family health plans. The Board pays 100% of the premium amounts on individual and picks-up 90% of the premium difference between individual and group policies.

Employees who qualify for individual group benefits are offered an option of compensation of \$125 per month and those who qualify for family group benefits are offered an option of compensation of \$225 per month if they choose to decline the group medical coverage offered.

**Compensated Absences** - Employees accumulate sick leave at a rate of 1.25 days per month. Unused sick leave may accumulate up to 240 days. Accumulated sick leave earned from other governments can be carried over by certifying the unused sick leave balance to the Treasurer. New employees are credited five sick days in advance which is part of the 15 days that can be accumulated for the year.

Vacation is earned by twelve month employees at the rate indicated in their respective employment contracts.

Employees are allowed three personal days per school year. Unused personal leave within a given year is converted to sick leave.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

**O. Risk Management**

*Property and Liability* - The VCS 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 VCS maintains insurance coverage for rental/theft, general liability, contents liability. The general liability coverage is in the amount of \$2,000,000 aggregate.

The VCS has coverage for employee dishonesty, forgery and alternation coverage and computer equipment in the amount of \$10,000 for each, per occurrence.

Settled claims have not exceeded these commercial coverages in any of the past 3 years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2009.

The VCS does not own real estate, but leases facilities located at 4480 Refugee Road, Columbus, Ohio 43232.

*Workers' Compensation* - The VCS pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly gross total payroll by a factor that is calculated by the State of Ohio.

**P. Related Party Transactions**

*Sponsor* - As part of the VCS's contractual agreement with the Sponsor, the VCS is required to pay the Sponsor two percent (2%) of the per pupil allocation paid to the VCS from the State of Ohio for various fiscal services and support. In fiscal year 2010, the VCS paid the Sponsor \$103,762 during the year. See Note 10.

*Superintendent* - Mr. James McCord was appointed Superintendent of the VCS during fiscal year 2007. Mr. McCord was previously a Board Member of the VCS. Mr. McCord's wife, Judy McCord, had a contract salary of \$8,500 to provide consultant services and supervision of the EMIS database. \$8,500 was paid to Judy McCord during fiscal year 2010. Mr. McCord's brother, Ed McCord, is the director of the 21<sup>st</sup> Century grant program. Ed McCord had a contract salary of \$68,090 and was paid \$66,815 during fiscal year 2010.

**Q. Contingencies**

*Grants* - The VCS received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the VCS at June 30, 2010.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 20 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)**

**State Foundation Funding** - The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. The ODE estimates a total overpayment during fiscal year 2004 was \$2,209,591, which will be repaid by the VCS by reducing the foundation payments they will receive in future periods. The amount remaining unpaid at June 30, 2010 was \$94,977. This amount is recorded as a current liability on the statement of net assets. The entire amount is due in fiscal year 2011. As a result of the review after fiscal year 2010 end, VCS owed \$22,353 to the Ohio Department of Education which is reflected on the basic financial statements as an intergovernmental payable.

**Litigation** - The VCS is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**NOTE 21 - A+ ARTS ACADEMY**

**A. Description of the School**

The A+ Arts Academy, Franklin County, Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide an Academy exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the A+ Arts Academy's tax exempt status. The A+ Arts Academy's objective is to deliver a unique opportunity for students who show a strong interest or talent in the visual arts which can be delivered to students in grades 6 - 8. It is to be operated in cooperation with the public schools to provide an appreciation of the visual arts through studies of its history, theory and design. The Academy, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was approved for operation under a contract with the Reynoldsburg City School District (the "Sponsor") for a period of five academic years commencing after July 1, 2009. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy is considered a component unit of the Reynoldsburg City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units".

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

The Academy operates under the direction of a self-appointed five-member Governing Board. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 21 non-certified staff members and 13 certified full time teaching personnel who provide services to 140 students.

**B. Summary of Significant Accounting Policies**

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply this FASB guidance. The A+ Arts Academy's significant accounting policies are described below.

***Basis of Presentation*** - The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

***Measurement Focus and Basis of Accounting*** - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

***Budgetary Process*** - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except House Bill 364, which took effect April 8, 2003, added Ohio Revised Code Section 3314.03 (11)(d), which states that community schools must comply with Ohio Revised Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

***Cash*** - All monies received by the Academy are deposited in a demand deposit account.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

**Capital Assets and Depreciation** - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy has maintained a capitalization threshold of \$1,000. The Academy does not have any infrastructure. 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, but are expended when incurred.

All capital assets, except land, are depreciated. Depreciation is computed using the straight-line method. Computer equipment is depreciated over three years, copiers and furniture are depreciated over five years, other equipment items are depreciated over 10 years, land improvements are depreciated over 15 years and the building is depreciated over 50 years.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount of net assets restricted include the amounts reserved for locally funded programs and federally funded programs.

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

**Intergovernmental Revenue** - The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Foundation revenue received by the Academy during fiscal year 2010 was \$894,980.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grants for the fiscal year 2010 received by the Academy was \$408,429.

**Estimates** - The preparation of financial statements in conformity with GAAP 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.

**Compensated Absences Policy** - Personal leave 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 Academy will compensate the employees for the benefits through paid time off. The Academy records a liability for accumulated unused personal leave time when earned by employees.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

**C. Change in Accounting Principles**

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

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

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

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

**D. Deposits**

At June 30, 2010, the carrying amount of the Academy's deposits was \$79,152. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, all of the Academy's bank balance of \$96,993 was covered by the FDIC.

**E. Receivables**

At June 30, 2010, receivables consisted of accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible within one year and presented on the statement of net assets in the amount of \$68,883.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

**F. Purchased Services**

For fiscal year ended June 30, 2010, purchased services expenses were as follows:

|                                    |                   |
|------------------------------------|-------------------|
| Professionalservices               | \$ 19,741         |
| Property services and rentals      | 106,829           |
| Utilities                          | 26,963            |
| Contracted food services           | 44,263            |
| Meeting expense                    | 2,604             |
| Postage, advertising, and shipping | 8,655             |
| Other purchased services           | 29,051            |
| Total                              | <u>\$ 238,106</u> |

**G. Capital Assets**

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

|  | Beginning<br>Balance | Additions          | Deductions  | Ending<br>Balance   |
|--|----------------------|--------------------|-------------|---------------------|
| Nondepreciable Capital Assets                                  |                      |                    |             |                     |
| Land   | \$ 147,642           | \$ -               | \$ -        | \$ 147,642          |
| Total Nondepreciable Assets                                    | <u>147,642</u>       | <u>-</u>           | <u>-</u>    | <u>147,642</u>      |
| Depreciable Capital Assets                                     |                      |                    |             |                     |
| Land improvements  | 14,289               | -                  | -           | 14,289              |
| Buildings  | 822,637              | -                  | -           | 822,637             |
| Furniture and equipment  | 164,281              | 26,733             | -           | 191,014             |
| Total Depreciable Assets                                       | <u>1,001,207</u>     | <u>26,733</u>      | <u>-</u>    | <u>1,027,940</u>    |
| Less accumulated depreciation                                  |                      |                    |             |                     |
| Land improvements  | (429)                | (857)              | -           | (1,286)             |
| Buildings  | (45,793)             | (14,808)           | -           | (60,601)            |
| Furniture and equipment  | (81,431)             | (30,750)           | -           | (112,181)           |
| Total accumulated depreciation                                 | <u>(127,653)</u>     | <u>(46,415)</u>    | <u>-</u>    | <u>(174,068)</u>    |
| Depreciable Capital Assets, Net<br>of accumulated depreciation | <u>873,554</u>       | <u>(19,682)</u>    | <u>-</u>    | <u>853,872</u>      |
| Total Capital Assets, Net                                      | <u>\$ 1,021,196</u>  | <u>\$ (19,682)</u> | <u>\$ -</u> | <u>\$ 1,001,514</u> |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

**H. Long-Term Obligations**

The Academy's long-term obligations during fiscal year 2010 were as follows:

|                             | Beginning<br>Balance | Additions        | Deletions          | Ending<br>Balance | Due Within<br>One Year |
|-----------------------------|----------------------|------------------|--------------------|-------------------|------------------------|
| Mortgage loan payable       | \$ 868,918           |                  | \$ (26,623)        | \$ 842,295        | \$ 18,554              |
| Compensated absences        | 5,321                | 11,660           | (5,321)            | 11,660            | 11,660                 |
| Total long-term liabilities | <u>\$ 874,239</u>    | <u>\$ 11,660</u> | <u>\$ (31,944)</u> | <u>\$ 853,955</u> | <u>\$ 30,214</u>       |

*Mortgage loan payable:* On May 31, 2006 the Academy issued a mortgage loan in the amount of \$915,000 with an interest rate of 8.25% (variable rate) to be repaid over 30 years and it is currently at an interest rate of 4.00%. The loan was issued to purchase a building which is used as classrooms for the Academy. The building has been included in the Academy's capital assets in the statement of net assets. The debt service requirements for the mortgage loan are as follows:

| Fiscal Years<br>Ending | Principal         | Interest          | Total               |
|------------------------|-------------------|-------------------|---------------------|
| 2011                   | \$ 18,554         | \$ 34,134         | \$ 52,688           |
| 2012                   | 19,328            | 33,360            | 52,688              |
| 2013                   | 20,134            | 32,553            | 52,687              |
| 2014                   | 20,974            | 31,714            | 52,688              |
| 2015                   | 21,849            | 30,839            | 52,688              |
| 2016-2020              | 123,699           | 139,739           | 263,438             |
| 2021-2025              | 151,741           | 111,696           | 263,437             |
| 2026-2030              | 186,140           | 77,297            | 263,437             |
| 2031-2035              | 228,338           | 35,100            | 263,438             |
| 2036                   | 51,538            | 1,150             | 52,688              |
| Total                  | <u>\$ 842,295</u> | <u>\$ 527,582</u> | <u>\$ 1,369,877</u> |

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

**I. Fiscal Agent - Reynoldsburg City School District**

The Academy has entered into a sponsorship agreement with Reynoldsburg City School District, its Sponsor, whereby, the Sponsor shall receive compensation for services provided to the Academy. The Sponsor shall provide the Academy Treasurer with fiscal oversight and administrative support related to the following:

- a. Support to ensure that the financial records of the Academy are maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State.
- b. Compliance with the policies and procedures regarding internal financial control of the Academy.
- c. Compliance with the requirements and procedures for financial audits by the Auditor of State.

**J. Pension Plans**

*School Employees Retirement System* - Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio Web site, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$28,192, \$11,625 and \$9,910, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

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

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

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

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

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$66,413, \$64,542 and \$64,682, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$5,412 made by the Academy and \$3,866 made by the plan members.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

**K. Postemployment Benefits**

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

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

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

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$3,576, \$7,363 and \$6,545, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,677, \$959 and \$714, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$5,109, \$4,965 and \$4,976, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**L. Other Employee Benefits**

*Medical, Life, Dental and Vision Insurance Benefits* - The Academy provides medical benefits through Medical Mutual. The Academy offers individual and family health plans. The Board pays 75% of the premium amounts for single coverage. Employees pay the entire premium for family coverage.

*Compensated Absences* - Employees accumulate personal leave at a rate of 5 days per year. Unused personal leave may accumulate up to 10 days.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

**M. Risk Management**

**Property and Liability** - The Academy 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 Academy maintains insurance coverage for rental/theft, general liability and contents liability.

The Academy has coverage for employee dishonesty, forgery and alternation coverage and computer equipment.

| Coverage              | Insurer       | Coverage     | Deductible |
|-----------------------|---------------|--------------|------------|
| Education liability:  |               |              |            |
| Each occurrence       | Ohio Casualty | \$ 1,000,000 | \$ -       |
| Aggregate             |               | 2,000,000    | -          |
| Building and contents | Ohio Casualty | 1,326,968    | 1,000      |
| Personal Property     | Ohio Casualty | 200,000      | 1,000      |

Property coverage is part of a blanket limit with a total of \$1,000 deductible per loss. There have been no claims for the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal year 2009.

**Workers' Compensation** - The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly gross total payroll by a factor that is calculated by the State.

**N. Related Party Transactions**

During fiscal year 2010, the Academy paid \$363 to the Sponsor for various purchased services, primarily consisting of fingerprinting services.

**O. Contingencies**

**Grants** - The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

**State Foundation Funding** - The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation Funding is calculated. As a result of the review after fiscal year-end, the ODE owed the Academy \$75. This amount is recorded as an intergovernmental receivable on the statement of net assets.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 21 - A+ ARTS ACADEMY - (Continued)**

*Litigation* - The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**P. Subsequent Events**

On July 2, 2010, the Academy and My Brother's Keeper, a Human Services Corp., entered into a space sharing rental agreement. The rental agreement is for administrative and classroom space located at Hermon Missionary Baptist Church in Columbus, Ohio. After an initial deposit of \$2,500, the rental payments are \$8,500 per month for the period of August 1, 2010 to June 30, 2011. This additional space is used to expand the Academy's operations to include grades K-5.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2010**

| <b>FEDERAL GRANTOR</b>   |           | Federal |                     |                   |                     |                   |
|--|-----------|---------|---------------------|-------------------|---------------------|-------------------|
| <b><i>Pass Through Grantor</i></b>                                 | Grant     | CFDA    |                     | Non-Cash          |                     | Non-Cash          |
| Program Title  | Year(s)   | Number  | Receipts            | Receipts          | Disbursements       | Disbursements     |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                              |           |         |                     |                   |                     |                   |
| <b><i>Passed Through Ohio Department of Education</i></b>          |           |         |                     |                   |                     |                   |
| Nutrition Cluster:   |           |         |                     |                   |                     |                   |
| School Breakfast Program   | 2009-2010 | 10.553  | \$ 429,274          | \$ -              | \$ 429,274          | \$ -              |
| National School Lunch Program                                      | 2009-2010 | 10.555  | 881,973             | 136,401           | 881,973             | 114,907           |
| Summer Food Program  | 2009-2010 | 10.559  | 26,042              | -                 | 26,042              | -                 |
| Total Nutrition Cluster  |           |         | <u>1,337,289</u>    | <u>136,401</u>    | <u>1,337,289</u>    | <u>114,907</u>    |
| Team Nutrition Grant   | 2009-2010 | 10.574  | 4,000               | -                 | 753                 | -                 |
| <b>Total U.S. Department of Agriculture</b>                        |           |         | <u>1,341,289</u>    | <u>136,401</u>    | <u>1,338,042</u>    | <u>114,907</u>    |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                |           |         |                     |                   |                     |                   |
| <b><i>Passed Through Ohio Department of Education</i></b>          |           |         |                     |                   |                     |                   |
| Title I Cluster:   |           |         |                     |                   |                     |                   |
| Title I Grants to Local Educational Agencies                       | 2009-2010 | 84.010  | 1,509,969           | -                 | 1,346,540           | -                 |
| ARRA - Title I Grants to Local Educational Agencies                | 2009-2010 | 84.389  | 609,892             | -                 | 605,330             | -                 |
| Total Title I Cluster  |           |         | <u>2,119,861</u>    | <u>-</u>          | <u>1,951,870</u>    | <u>-</u>          |
| Special Education Cluster:   |           |         |                     |                   |                     |                   |
| Special Education Grants to States                                 | 2008-2009 | 84.027  | 1,096,023           | -                 | 1,044,588           | -                 |
| ARRA - Special Education Grants to States                          | 2009-2010 | 84.391  | 555,793             | -                 | 571,538             | -                 |
| Total Special Education Cluster                                    |           |         | <u>1,651,816</u>    | <u>-</u>          | <u>1,616,126</u>    | <u>-</u>          |
| Safe & Drug Free School Communities State Program                  | 2009-2010 | 84.186  | 23,844              | -                 | 22,627              | -                 |
| State Grants for Innovative Programs                               | 2009      | 84.298  | 11,275              | -                 | 3,123               | -                 |
| Education Technology State Grants                                  | 2009-2010 | 84.318  | 9,866               | -                 | 9,325               | -                 |
| Title III  | 2009-2010 | 84.365  | 81,784              | -                 | 68,613              | -                 |
| Improving Teacher Quality State Grants                             | 2009-2010 | 84.367  | 224,366             | -                 | 207,960             | -                 |
| ARRA - McKinney-Vento Homeless Grant                               | 2009-2010 | 84.387  | 4,901               | -                 | 4,901               | -                 |
| ARRA - State Fiscal Stabilization Fund –<br>Education State Grants | 2010      | 84.394  | 1,721,910           | -                 | 1,533,409           | -                 |
| <b>Total U.S. Department of Education</b>                          |           |         | <u>5,849,623</u>    | <u>-</u>          | <u>5,417,954</u>    | <u>-</u>          |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                |           |         |                     |                   |                     |                   |
| <b><i>Passed Through Ohio Department of Education</i></b>          |           |         |                     |                   |                     |                   |
| Refugee School Impact Grant  | 2009-2010 | 93.576  | 3,410               | -                 | 3,024               | -                 |
| <b>Total U.S. Department of Health and Human Services</b>          |           |         | <u>3,410</u>        | <u>-</u>          | <u>3,024</u>        | <u>-</u>          |
| <b>Total</b>   |           |         | <u>\$ 7,194,322</u> | <u>\$ 136,401</u> | <u>\$ 6,759,020</u> | <u>\$ 114,907</u> |

The accompanying notes are an integral part of this schedule.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. This schedule includes federal receipts and expenditures of the District but does not include the federal receipts and disbursements of the discretely presented component unit. The schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

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

Reynoldsburg City School District  
Franklin County  
7244 East Main Street  
Reynoldsburg, Ohio 43068

To the Board of Education:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 27, 2011.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Kennedy Cottrell Richards LLC

January 27, 2011

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

Reynoldsburg City School District  
Franklin County  
7244 East Main Street  
Reynoldsburg, Ohio 43068

To the Board of Education:

**Compliance**

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

The Reynoldsburg City School District's basic financial statements include the operations of the Virtual Community School and A+ Arts Academy, component units of Reynoldsburg City School District. Virtual Community School and A+ Arts Academy received \$2,737,188 and \$408,860 and expended \$2,757,013 and \$403,839, respectively in federal awards during fiscal year 2010 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Reynoldsburg City School District for the fiscal year ended June 30, 2010. Our audit of federal awards, described below, did not include the operations of Virtual Community School and A+ Arts Academy. For the fiscal year ended June 30, 2010, Virtual Community School required a single audit of its Federal Award Programs in accordance with OMB Circular A-133, and a separate report has been issued. A+ Arts Academy expended less than \$500,000 for the fiscal year ended June 30, 2010 and thus was not required to have an audit of its Federal Award Program in accordance with OMB Circular A-133.

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

In our opinion, the Reynoldsburg City School District, Franklin County, Ohio complied, in all material respects, with the requirements referred to above applicable to each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Kennedy Cottrell Richards LLC  
January 27, 2011

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

|  |
|--|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|--|

|              |  |  |
|--------------|--|--|
| (d)(1)(i)    | Type of Financial Statement Opinion  | Unqualified  |
| (d)(1)(ii)   | Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?               | No   |
| (d)(1)(ii)   | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes  |
| (d)(1)(iii)  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                              | No   |
| (d)(1)(iv)   | Were there any material internal control weaknesses reported for major federal programs?                             | No   |
| (d)(1)(iv)   | Were there any other significant deficiencies in internal control reported for major federal programs?               | No   |
| (d)(1)(v)    | Type of Major Programs' Compliance Opinion   | Unqualified  |
| (d)(1)(vi)   | Are there any reportable findings under § .510(a) of Circular A-133?   | No   |
| (d)(1)(vii)  | Major Programs (list):   | Nutrition Cluster<br>CFDA: 10.553, 10.555, 10.559<br><br>Title I Cluster<br>CFDA: 84.010, 84.389<br><br>Special Education Cluster<br>CFDA: 84.027, 84.391<br><br>ARRA - State Fiscal Stabilization Fund – Education State Grants<br>CFDA: 84.394 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs  | Type A: > \$300,000<br>Type B: All others  |
| (d)(1)(ix)   | Low Risk Auditee?  | No   |

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|---|

**2010-01 Significant Deficiency: Food Service Receipts**

The District's employees should perform certain internal control procedures to ensure completeness and accuracy of daily food service receipts and data. These procedures when completed should be evidenced by initials and/or signatures. Such documentation provides evidence that reviews, re-computations, and verifications to source documentation have been completed.

All of the District's schools use a point-of-sale system to process the food service activity. At the end of each day, each cashier is required to reconcile the cash drawer to the point-of-sale system using the daily count and cash reconciliation reports. These reports should then be reviewed and approved by the Head Cook.

During our testing, we noted the following:

- There was no indication the cashier reconciled the cash drawer by signing the daily count and cash reconciliation reports for 20 of the 60 location days of service tested;
- There was no indication the head cook reviewed or approved the cash reconciliation reports for 10 of 60 location days of service tested;

Though there was a lack of evidence of review at the necessary levels, we did note there was indication of at least one review performed over each of the day's activities.

We recommend all employees involved in food service operations indicate their review, re-computations, and verification with initials and/or signatures. Such procedures should become a routine part of processing food service receipt transactions.

Officials Response

The cashiers were reconciling the cash drawers, but were not consistently signing the daily count sheets and cash reconciliation reports. The head cooks (or in buildings where the head cook and cashier are the same person, another food service staff,) were reviewing the reconciliations but not consistently signing the reports. All cash reconciliation reports are now being reviewed and signed by both the cashier and head cook (or other food service staff) and a copy of the signed report is being submitted to the cafeteria supervisor to insure that all reports have the proper signatures.

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
|--|

None.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2010**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2009-01        | Significant deficiency in controls over the cash reconciliation process.   | Yes              | Finding no longer valid.   |
| 2009-02        | Significant deficiency in controls over the financial reporting process.   | Yes              | Finding no longer valid.   |
| 2009-03        | Significant deficiency in controls over the food service receipt process due to a lack evidence of a review by the head cook and a review of the daily deposits. | No               | Partially corrected. Repeated as comment 2010-01   |
| 2009-04        | Significant deficiency in controls over the review and approval of free and reduced lunch applications.  | Yes              | Finding no longer valid.   |

**This Page is Intentionally Left Blank.**



# Dave Yost • Auditor of State

REYNOLDSBURG CITY SCHOOL DISTRICT

FRANKLIN 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 31, 2011