



**WASHINGTON COURT HOUSE
CITY SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2011

With Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Washington Court House City School District, Fayette County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 16, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 20, during the year ended June 30, 2011, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements of the Washington Court House City School District. 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.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
December 29, 2011

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the Washington Court House City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net assets of governmental activities decreased \$205,406.
- General revenues accounted for \$17,375,766 of all revenues and reflect the School District's continued dependence on property taxes and unrestricted State entitlements.
- The School District had \$24,185,776 in expenses related to governmental activities; only \$6,604,604 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues (primarily grants and entitlements and property taxes) of \$17,375,766 were not adequate to provide for the remaining cost of these programs.

Using this Annual Financial Report

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

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

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2011?” The Statement of Net Assets and the Statement of Activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

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

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

Fiduciary Funds - The School District's fiduciary funds include two private purpose trust funds and an agency fund. The School District has established private purpose trust funds to account for college scholarship programs for its students. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

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

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

Table 1 provides a summary of the School District's net assets for fiscal years 2011 and 2010:

Table 1			
Net Assets			
<u>Governmental Activities</u>			
	<u>2011</u>	<u>Restated 2010</u>	<u>Increase/ (Decrease)</u>
Assets			
Current and Other Assets	\$13,214,502	\$13,108,396	\$106,106
Capital Assets, Net	69,849,898	71,650,691	(1,800,793)
Total Assets	<u>83,064,400</u>	<u>84,759,087</u>	<u>(1,694,687)</u>
Liabilities			
Other Liabilities	6,604,305	7,852,697	(1,248,392)
Long-Term Liabilities	21,865,383	22,106,272	(240,889)
Total Liabilities	<u>28,469,688</u>	<u>29,958,969</u>	<u>(1,489,281)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	50,554,063	51,952,264	(1,398,201)
Restricted	4,653,869	4,035,473	618,396
Unrestricted (Deficit)	(613,220)	(1,187,619)	574,399
Total Net Assets	<u>\$54,594,712</u>	<u>\$54,800,118</u>	<u>(\$205,406)</u>

A decrease occurred within Total Assets when compared to the prior fiscal year. Current and Other Assets increased \$106,106, which is insignificant. Capital Assets, Net decreased \$1,800,793 due to current fiscal year depreciation exceeding current fiscal year additions.

Total Liabilities decreased \$1,489,281 when compared to the prior fiscal year due to a significant decrease in Deferred Revenue. This decrease is the result of the School District attempting to better estimate tax receipts to be received during the next fiscal year.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

Table 2
Change in Net Assets

	Governmental Activities		Increase/ (Decrease)
	2011	2010	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,593,602	\$1,408,386	\$185,216
Operating Grants and Contributions	5,011,002	4,028,040	982,962
Capital Grants and Contributions	0	10,439	(10,439)
Total Program Revenues	6,604,604	5,446,865	1,157,739
General Revenues:			
Property Taxes	5,383,836	5,728,691	(344,855)
Revenue in Lieu of Taxes	19,265	19,204	61
Grants and Entitlements not Restricted to Specific Programs	11,803,132	11,879,939	(76,807)
Contributions and Donations	754	3,218	(2,464)
Investment Earnings	107	0	107
Miscellaneous	148,642	272,802	(124,160)
Gain on Early Retirement of Capital Lease	20,030	0	20,030
Total General Revenues	17,375,766	17,903,854	(528,088)
Total Revenues	\$23,980,370	\$23,350,719	\$629,651

(continued)

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

Table 2
 Change in Net Assets
 (continued)

	Governmental Activities		Increase/ (Decrease)
	2011	2010	
Program Expenses			
Instruction:			
Regular	\$10,459,534	\$11,408,423	(\$948,889)
Special	3,307,192	3,766,267	(459,075)
Vocational	0	5,779	(5,779)
Student Intervention Services	25,012	33,110	(8,098)
Support Services:			
Pupils	958,985	1,088,163	(129,178)
Instructional Staff	1,045,545	1,096,751	(51,206)
Board of Education	55,405	30,152	25,253
Administration	1,916,789	2,067,252	(150,463)
Fiscal	566,237	631,955	(65,718)
Operation and Maintenance of Plant	1,942,121	2,125,122	(183,001)
Pupil Transportation	724,622	835,645	(111,023)
Central	244,671	254,611	(9,940)
Operation of Non-Instructional Services	1,122,546	1,164,120	(41,574)
Extracurricular Activities	739,754	752,025	(12,271)
Interest and Fiscal Charges	1,077,363	1,067,397	9,966
Total Expenses	<u>24,185,776</u>	<u>26,326,772</u>	<u>(2,140,996)</u>
Change in Net Assets	(205,406)	(2,976,053)	2,770,647
Net Assets at Beginning of Year - Restated	<u>54,800,118</u>	<u>57,776,171</u>	<u>(2,976,053)</u>
Net Assets at End of Year	<u><u>\$54,594,712</u></u>	<u><u>\$54,800,118</u></u>	<u><u>(\$205,406)</u></u>

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues, accounted for \$6,604,604 of total revenues for fiscal year 2011, which is a significant increase from fiscal year 2010. This increase is primarily the result of the School District receiving the Education Jobs Grant during fiscal year 2011 but not during fiscal year 2010.

As stated previously, general revenues represent \$17,375,766 of the School District's total revenues, and decreased insignificantly when compared to the prior fiscal year.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

As should be expected, Instruction costs represent the largest of the School District's expenses, \$13,791,738 for fiscal year 2011. The Instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$2,729,152 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense \$1,942,121. Therefore, \$18,463,011 of the School District's expenses are related to the primary functions of providing facilities and delivering education. Significant changes in expenses of the School District from the prior fiscal year are a result of the School District monitoring expenditures in anticipation of decreased revenues.

The School District's Funds

Information about the School District's most significant funds starts on page 13. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,745,856 and expenditures of \$22,825,103. The net change in fund balance for the fiscal year was most significant in the General Fund with an increase of \$1,032,921, which was the result of the School District better monitoring expenditures in anticipation of decreased revenues.

The Bond Retirement Fund balance increased \$163,366. This is the result of the School District receiving property tax revenue during the fiscal year that exceeded necessary debt payments.

The Ohio School Facilities Construction Fund balance decreased \$236,996. This was primarily the result of the School District spending bond proceeds received for the construction of new facilities.

General Fund - Budget Highlights

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

During the course of fiscal year 2011, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. Final budgeted revenues, in the amount of \$16,793,320, decreased insignificantly when compare to original budgeted revenues in the amount of \$17,127,371. An insignificant decrease also existed from the final budget to the actual revenues.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The decrease in expenditures from the original to the final budget is insignificant. A decrease of \$198,122 existed from the final budget to the actual expenditures, which is also insignificant.

The General Fund's ending unobligated cash balance was \$164,271 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$69,849,898 invested in capital assets (net of accumulated depreciation), a decrease of \$1,800,793. This decrease is due significantly to current year depreciation on the School District's newly constructed buildings.

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

Debt

At June 30, 2011, the School District had \$20,350,516 in bonds and bond premium outstanding, \$440,000 of which is due within one year. The School District also had capital lease obligations outstanding of \$206,870, of which \$40,408 is due within one year. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

Current Issues

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

Contacting the School District's Financial Management

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

Washington Court House City School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,316,040
Cash and Cash Equivalents with Fiscal Agent	1,655,600
Cash and Cash Equivalents with Escrow Agent	254,140
Materials and Supplies Inventory	10,838
Inventory Held for Resale	42,859
Accounts Receivable	12,265
Intergovernmental Receivable	1,720,188
Property Taxes Receivable	5,957,272
Revenue in Lieu of Taxes Receivable	19,265
Deferred Charges	226,035
Capital Assets:	
Land	477,521
Depreciable Capital Assets, Net	<u>69,372,377</u>
<i>Total Assets</i>	<u>83,064,400</u>
<u>Liabilities:</u>	
Accounts Payable	148,888
Contracts Payable	70,567
Accrued Wages and Benefits Payable	1,980,615
Intergovernmental Payable	634,329
Accrued Interest Payable	71,072
Matured Compensated Absences Payable	1,643
Retainage Payable	254,140
Claims Payable	181,753
Judgments Payable	5,839
Deferred Revenue	3,255,459
Long-Term Liabilities:	
Due Within One Year	588,387
Due in More Than One Year	<u>21,276,996</u>
<i>Total Liabilities</i>	<u>28,469,688</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	50,554,063
Restricted for:	
Debt Service	1,620,402
Capital Improvements	1,654,274
Food Service Operations	89,895
School Facilities Maintenance	692,422
Management Information Systems Programs	33,660
Title I Programs	254,083
Title II-A Programs	33,667
Other Purposes	275,466
Unrestricted (Deficit)	<u>(613,220)</u>
<i>Total Net Assets</i>	<u><u>\$54,594,712</u></u>

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$10,459,534	\$970,756	\$873,676	(\$8,615,102)
Special	3,307,192	5,226	2,417,340	(884,626)
Vocational	0	0	32,753	32,753
Student Intervention Services	25,012	0	0	(25,012)
Support Services:				
Pupils	958,985	29,801	350,991	(578,193)
Instructional Staff	1,045,545	0	503,368	(542,177)
Board of Education	55,405	0	0	(55,405)
Administration	1,916,789	0	54,330	(1,862,459)
Fiscal	566,237	0	0	(566,237)
Operation and Maintenance of Plant	1,942,121	6,200	59	(1,935,862)
Pupil Transportation	724,622	0	68,916	(655,706)
Central	244,671	0	13,000	(231,671)
Operation of Non-Instructional Services:				
Food Service Operations	1,122,546	342,652	666,439	(113,455)
Extracurricular Activities	739,754	238,967	30,130	(470,657)
Interest and Fiscal Charges	1,077,363	0	0	(1,077,363)
Total Governmental Activities	\$24,185,776	\$1,593,602	\$5,011,002	(17,581,172)
<u>General Revenues:</u>				
Property Taxes Levied for:				
General Purposes				3,722,305
Other Purposes				85,323
Debt Service				1,196,400
Capital Outlay				379,808
Grants and Entitlements not Restricted to				
Specific Programs				11,803,132
Revenue in Lieu of Taxes				19,265
Contributions and Donations				754
Investment Earnings				107
Miscellaneous				148,642
Gain on Early Retirement of Capital Lease				20,030
Total General Revenues				17,375,766
Change in Net Assets				(205,406)
Net Assets at Beginning of Year -				
As Restated (See Note 20)				
				54,800,118
Net Assets at End of Year				\$54,594,712

See accompanying notes to the basic financial statements

Washington Court House City School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Bond Retirement	Ohio School Facilities Construction	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$321,574	\$1,330,328	\$268,271	\$1,353,111	\$3,273,284
Cash and Cash Equivalents with Fiscal Agent	1,655,600	0	0	0	1,655,600
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	42,756	0	0	0	42,756
Cash and Cash Equivalents with Escrow Agent	0	0	254,140	0	254,140
Receivables:					
Property Taxes	4,106,196	1,359,717	0	491,359	5,957,272
Revenue In Lieu of Taxes	13,434	4,192	0	1,639	19,265
Accounts	10,918	0	0	1,347	12,265
Intergovernmental	3,456	0	841,278	875,454	1,720,188
Interfund	475,410	0	0	0	475,410
Inventory Held for Resale	0	0	0	42,859	42,859
Materials and Supplies Inventory	0	0	0	10,838	10,838
Total Assets	\$6,629,344	\$2,694,237	\$1,363,689	\$2,776,607	\$13,463,877
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$122,394	\$0	\$5,383	\$21,111	\$148,888
Contracts Payable	0	0	38,282	32,285	70,567
Accrued Wages and Benefits Payable	1,592,317	0	0	388,298	1,980,615
Intergovernmental Payable	547,036	0	0	87,293	634,329
Interfund Payable	0	0	0	475,410	475,410
Retainage Payable from Restricted Assets	0	0	254,140	0	254,140
Matured Compensated Absences Payable	0	0	0	1,643	1,643
Claims Payable	181,753	0	0	0	181,753
Judgments Payable	5,839	0	0	0	5,839
Deferred Revenue	2,530,436	870,276	841,278	778,591	5,020,581
Total Liabilities	4,979,775	870,276	1,139,083	1,784,631	8,773,765
<u>Fund Balances:</u>					
Nonspendable	0	0	0	10,838	10,838
Restricted	42,756	1,823,961	224,606	1,500,387	3,591,710
Committed	50,000	0	0	0	50,000
Assigned	137,426	0	0	0	137,426
Unassigned (Deficit)	1,419,387	0	0	(519,249)	900,138
Total Fund Balances	1,649,569	1,823,961	224,606	991,976	4,690,112
Total Liabilities and Fund Balances	\$6,629,344	\$2,694,237	\$1,363,689	\$2,776,607	\$13,463,877

See accompanying notes to the basic financial statements

Washington Court House City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011

Total Governmental Fund Balances \$4,690,112

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	477,521	
Other capital assets	80,509,941	
Accumulated depreciation	(11,137,564)	
Total capital assets	69,849,898	69,849,898

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

Delinquent property taxes	446,423	
Intergovernmental	1,318,699	
	1,765,122	1,765,122

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 226,035

In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (71,072)

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

Bonds payable	(20,121,241)	
Bond premium	(229,275)	
Capital leases	(206,870)	
Compensated absences	(1,307,997)	
Total liabilities	(21,865,383)	(21,865,383)

Net Assets of Governmental Activities \$54,594,712

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Ohio School Facilities Construction	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$3,679,895	\$1,183,974	\$0	\$460,343	\$5,324,212
Intergovernmental	11,916,217	297,546	0	4,410,976	16,624,739
Investment Earnings	107	0	0	0	107
Tuition and Fees	975,914	0	0	0	975,914
Rent	0	0	0	6,200	6,200
Extracurricular Activities	29,801	0	0	233,679	263,480
Contributions and Donations	700	0	0	30,184	30,884
Customer Sales and Services	68	0	0	347,940	348,008
Revenue in Lieu of Taxes	13,434	4,192	0	1,639	19,265
Miscellaneous	153,047	0	0	0	153,047
Total Revenues	16,769,183	1,485,712	0	5,490,961	23,745,856
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	7,484,338	0	0	1,978,542	9,462,880
Special	2,116,436	0	0	848,532	2,964,968
Student Intervention Services	25,012	0	0	0	25,012
Support Services:					
Pupils	491,096	0	0	337,574	828,670
Instructional Staff	376,475	0	0	581,632	958,107
Board of Education	29,668	0	0	0	29,668
Administration	1,714,276	0	0	53,592	1,767,868
Fiscal	483,637	37,047	0	14,406	535,090
Operation and Maintenance of Plant	1,784,209	0	0	104,558	1,888,767
Pupil Transportation	593,779	0	0	657	594,436
Central	244,671	0	0	0	244,671
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	952,579	952,579
Extracurricular Activities	312,329	0	0	263,195	575,524
Capital Outlay	64,351	0	236,996	320,404	621,751
Debt Service:					
Principal Retirement	62,465	425,000	0	6,750	494,215
Interest and Fiscal Charges	17,358	860,299	0	3,240	880,897
Total Expenditures	15,800,100	1,322,346	236,996	5,465,661	22,825,103
Excess of Revenues Over (Under) Expenditures	969,083	163,366	(236,996)	25,300	920,753
<u>Other Financing Sources:</u>					
Inception of Capital Lease	63,838	0	0	164,230	228,068
Net Change in Fund Balances	1,032,921	163,366	(236,996)	189,530	1,148,821
Fund Balances at Beginning of Year - As Restated (See Note 20)	616,648	1,660,595	461,602	802,446	3,541,291
Fund Balances at End of Year	\$1,649,569	\$1,823,961	\$224,606	\$991,976	\$4,690,112

See accompanying notes to the basic financial statements

Washington Court House City School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds \$1,148,821

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

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

Capital assets additions	480,702	
Depreciation expense	(2,147,715)	
Excess of depreciation expense over capital outlay		(1,667,013)

The proceeds from the sale of capital assets are reported as revenue in the Statement of Activities. However, the cost of capital assets are removed from the capital asset account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a gain on the sale of capital assets in the Statement of Activities.

Loss on sale of capital assets	(7,319)	
Gain on early trade-in of capital lease	20,030	
		12,711

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

Delinquent property taxes	59,624	
Intergovernmental	159,265	
Miscellaneous	(4,405)	
		214,484

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.

(228,068)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These amounts consist of:

Decrease in accrued interest	1,239	
Amortization of bond issuance costs	(10,046)	
Accretion on bonds	(197,849)	
Amortization of bond premium	10,190	
		(196,466)

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

Bond payments	425,000	
Capital lease payments	69,215	
Total long-term debt repayment		494,215

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable		15,910

Change in Net Assets of Governmental Activities (\$205,406)

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$5,044,126	\$3,671,489	\$3,678,055	\$6,566
Intergovernmental	10,991,572	11,936,325	11,866,217	(70,108)
Investment Earnings	101	110	107	(3)
Tuition and Fees	898,727	975,975	975,914	(61)
Customer Sales and Services	64	70	68	(2)
Revenue in Lieu of Taxes	12,371	13,434	13,434	0
Miscellaneous	180,410	195,917	195,667	(250)
<i>Total Revenues</i>	<u>17,127,371</u>	<u>16,793,320</u>	<u>16,729,462</u>	<u>(63,858)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,394,557	8,290,688	8,264,369	26,319
Special	2,211,385	2,191,827	2,149,234	42,593
Student Intervention Services	25,207	25,100	25,012	88
Support Services:				
Pupils	544,948	530,424	486,945	43,479
Instructional Staff	446,760	435,833	410,269	25,564
Board of Education	30,730	30,600	30,406	194
Administration	1,779,489	1,770,666	1,761,985	8,681
Fiscal	503,214	500,282	491,338	8,944
Operation and Maintenance of Plant	1,796,852	1,768,279	1,748,881	19,398
Pupil Transportation	611,926	608,164	612,380	(4,216)
Central	225,643	221,935	218,717	3,218
Extracurricular Activities	300,001	298,732	297,449	1,283
Capital Outlay	23,188	23,090	513	22,577
<i>Total Expenditures</i>	<u>16,893,900</u>	<u>16,695,620</u>	<u>16,497,498</u>	<u>198,122</u>
Excess of Revenues Over Expenditures	<u>233,471</u>	<u>97,700</u>	<u>231,964</u>	<u>134,264</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	2,956	3,210	3,208	(2)
Refund of Prior Year Expenditures	0	0	9	9
Transfers In	138,128	150,000	0	(150,000)
Transfers Out	(180,766)	(180,000)	0	180,000
<i>Total Other Financing Sources (Uses)</i>	<u>(39,682)</u>	<u>(26,790)</u>	<u>3,217</u>	<u>30,007</u>
<i>Net Change in Fund Balance</i>	193,789	70,910	235,181	164,271
<i>Fund Balance at Beginning of Year</i>	232,668	232,668	232,668	0
<i>Prior Year Encumbrances Appropriated</i>	127,350	127,350	127,350	0
<i>Fund Balance at End of Year</i>	<u>\$553,807</u>	<u>\$430,928</u>	<u>\$595,199</u>	<u>\$164,271</u>

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust Funds	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$636,170	\$36,874
<u>Liabilities:</u>		
Undistributed Monies	0	\$36,874
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$636,170	

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
<u>Additions:</u>	
Contributions and Donations	\$31,651
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	40,691
<i>Decrease in Net Assets</i>	(9,040)
<i>Net Assets at Beginning of Year - As Restated (See Note 20)</i>	645,210
<i>Net Assets at End of Year</i>	\$636,170

See accompanying notes to the basic financial statements

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

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

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

The School District is located in Fayette County and is staffed by 85 non-certificated employees, and 159 certificated employees who provide services to 2,360 students and other community members.

Reporting Entity

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

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

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

Jointly Governed Organizations:

Miami Valley Educational Computer Association
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pool:

South Central Ohio Insurance Consortium

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

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

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

Ohio School Facilities Construction Capital Projects Fund - To account for and report grants restricted for constructing improvements, renovations and additions to the School District's building, including equipment, furniture and fixtures.

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

Fiduciary Funds

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$107, which includes \$93 assigned from other School District funds.

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

Restricted Assets

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

Inventory

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

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

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

Interfund Balances

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, capital grants used for the construction of new facilities, and federal and State grants restricted to expenditures for specified purposes.

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

Internal Activity

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

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

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

Estimates

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process

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

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

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

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

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 – FUND BALANCES

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

Fund Balances	General	Bond Retirement	Ohio School Facilities Construction	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>					
Materials and Supplies Inventory	\$0	\$0	\$0	\$10,838	\$10,838
<i>Restricted for</i>					
Bus Purchases	42,756	0	0	0	42,756
Debt Payment	0	1,823,961	0	0	1,823,961
Food Service Operations	0	0	0	79,057	79,057
School Facilities Maintenance	0	0	0	685,627	685,627
District Managed Activities	0	0	0	162,553	162,553
Management Information Systems	0	0	0	33,660	33,660
Miscellaneous Grants	0	0	0	24,582	24,582
Capital Improvements	0	0	224,606	514,908	739,514
<i>Total Restricted</i>	42,756	1,823,961	224,606	1,500,387	3,591,710
<i>Committed to</i>					
Severance Payments	50,000	0	0	0	50,000
<i>Assigned to</i>					
Other Purposes	137,426	0	0	0	137,426
<i>Unassigned (Deficit)</i>	1,419,387	0	0	(519,249)	900,138
<i>Total Fund Balances</i>	\$1,649,569	\$1,823,961	\$224,606	\$991,976	\$4,690,112

NOTE 4 – ACCOUNTABILITY

At June 30, 2011, the Education Jobs, Special Education Part B-IDEA, Title I, and the Title II-A, Improving Teacher Quality Special Revenue Funds, as well as the New Building Locally Funded Capital Projects Fund had deficit fund balances of \$185,272, \$42,431, \$28,379, \$2,732, and \$260,435, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Certain funds are accounted for as separate funds internally within legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

Net Change in Fund Balance	
	General Fund
GAAP Basis	\$1,032,921
Adjustments:	
Revenue Accruals	74,019
Expenditure Accruals	(591,071)
Encumbrances	(58,723)
Inception of Capital Lease	(63,838)
Perspective Difference	(158,127)
Budget Basis	\$235,181

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

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

At June 30, 2011, the School District had a balance of \$1,655,600 with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool (See Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 – PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents 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 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 School District prior to June 30.

The Fayette County Treasurer collects property taxes on behalf of all local governments in the County. The Fayette County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit of deferred revenue.

The amounts available as an advance at June 30, 2011, were \$2,274,655 and are recognized as revenue: \$1,589,194 in the General Fund, \$493,633 in the Bond Retirement Debt Service Fund, and \$191,828 in the Other Governmental Funds. The amounts available as an advance at June 30, 2010, were \$2,269,022 and consisted of: \$1,582,127 in the General Fund, \$494,858 in the Bond Retirement Debt Service Fund, \$192,037 in the Other Governmental Funds.

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 – PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$217,555,290	98.15%	\$216,420,970	98.11%
Public Utility Personal	3,900,940	1.76%	4,176,740	1.89%
General Business Personal	189,030	0.09%	0	0.00%
Total Assessed Value	\$221,645,260	100.00%	\$220,597,710	100.00%
Tax rate per \$1,000 of assessed valuation	\$47.85		\$47.85	

Payments in Lieu of Taxes

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 – RECEIVABLES

Receivables at June 30, 2011, consisted of property taxes, revenue in lieu of taxes, accounts, intergovernmental grants, and interfund. All receivables are considered collectible in full and will be received within one year with the exception of property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
Ohio School Facilities Commission	\$841,278
Other Governmental Funds:	
Title I	436,648
Special Education, Part B-IDEA	201,582
Race to the Top	86,657
Education Jobs	73,546
Title II-A, Improving Teacher Quality	48,635
Title VI-B, Rural and Low-Income	15,133
Early Childhood Special Education, IDEA	12,718
CAFS Reimbursement	3,456
Title II-D, Technology	535
Total Intergovernmental Receivables	\$1,720,188

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/11</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$477,521	\$0	\$0	\$477,521
Capital Assets Being Depreciated:				
Land Improvements	6,001,081	9,620	0	6,010,701
Buildings and Improvements	69,885,861	109,722	0	69,995,583
Furniture, Fixtures, and Equipment	2,129,789	320,819	(347,767)	2,102,841
Vehicles	1,570,207	40,541	(80,832)	1,529,916
Textbooks	870,900	0	0	870,900
Total Capital Assets Being Depreciated	<u>80,457,838</u>	<u>480,702</u>	<u>(428,599)</u>	<u>80,509,941</u>
Less Accumulated Depreciation:				
Land Improvements	(2,530,475)	(536,605)	0	(3,067,080)
Buildings and Improvements	(3,813,252)	(1,382,387)	0	(5,195,639)
Furniture, Fixtures, and Equipment	(705,929)	(178,451)	213,987	(670,393)
Vehicles	(1,364,112)	(50,272)	80,832	(1,333,552)
Textbooks	(870,900)	0	0	(870,900)
Total Accumulated Depreciation	<u>(9,284,668)</u>	<u>(2,147,715) *</u>	<u>294,819</u>	<u>(11,137,564)</u>
Total Capital Assets Being Depreciated, Net				
	<u>71,173,170</u>	<u>(1,667,013)</u>	<u>(133,780)</u>	<u>69,372,377</u>
Governmental Activities				
Capital Assets, Net	<u>\$71,650,691</u>	<u>(\$1,667,013)</u>	<u>(\$133,780)</u>	<u>\$69,849,898</u>

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$877,366
Special	309,687
Support Services:	
Pupils	113,762
Instructional Staff	107,803
Board of Education	25,737
Administration	132,723
Fiscal	25,280
Operation and Maintenance of Plant	121,669
Pupil Transportation	124,251
Operation of Non-Instructional Services:	
Food Service Operations	152,526
Extracurricular Activities	156,911
Total Depreciation Expense	<u><u>\$2,147,715</u></u>

NOTE 10 – RISK MANAGEMENT

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the general aggregate. Other liability insurance includes \$1,000,000 for automobile liability. The School District maintains replacement cost insurance on buildings and contents in the blanket amount of \$81,714,708.

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

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

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 – RISK MANAGEMENT (continued)

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

The claims liability of \$181,753 reported in the General Fund at June 30, 2011, is based on an estimate provided by an actuary for medical claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years, including medical, surgical, and prescription drug, are as follows:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2010	\$245,933	\$3,345,888	\$3,208,770	\$383,051
2011	383,051	1,599,827	1,801,125	181,753

NOTE 11 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$117,516, \$370,356, and \$224,118, respectively. The full amount has been contributed for fiscal years 2011, 2010, and 2009.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,290,114, \$1,215,706, and \$1,182,302, respectively. For fiscal year 2011, 79.43 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2011 were \$7,864 made by the School District and \$5,617 made by the plan members. In addition, member contributions of \$26,263 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

NOTE 12 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$35,125 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$49,354, \$50,164, and \$150,842, respectively. The full amount has been contributed for fiscal years 2011, 2010, and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$7,562, \$22,024, and \$18,492, respectively. The full amount has been contributed for fiscal years 2011, 2010, and 2009.

State Teachers Retirement System of Ohio

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to one percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$99,240, \$93,516, and \$90,946, respectively. For fiscal year 2011, 79.43 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

NOTE 13 – EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators up to a maximum of 50 days upon termination of employment. Teachers do not earn vacation time.

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

Insurance

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

The School District also provides dental insurance through Delta Dental.

Deferred Compensation

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 – LEASES - LESSEE DISCLOSURE

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

The copier equipment acquired by lease was initially capitalized in the amount of \$228,068 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. During fiscal year 2011, the School District entered into new capital leases prior to the full retirement of old capital leases. Therefore, the balance of \$146,491 remaining on the old leases was eliminated on the financial statements upon entering into the new leases. Principal payments in fiscal year 2011 totaled \$69,215 and were paid from the General Fund and the Permanent Improvement Fund.

The assets acquired through capital leases as of June 30, 2011, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Copier Equipment	\$228,068	(\$15,148)	\$212,920

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30,	Total Payments
2012	\$55,479
2013	55,479
2014	55,479
2015	50,002
2016	30,560
Total	246,999
Less: Amount Representing Interest	(40,129)
Present Value of Net Minimum Lease Payments	\$206,870

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2005 Various Purpose School Improvement Bonds:					
Term Bonds 4.375 to 5.00%	\$15,755,000	\$0	\$0	\$15,755,000	\$0
Serial Bonds 3.00 to 4.15%	2,965,000	0	425,000	2,540,000	440,000
Capital Appreciation Bonds 1.452%	1,020,000	0	0	1,020,000	0
Accretion on Capital Appreciation Bonds	608,392	197,849	0	806,241	0
Premium on Debt Issue	239,465	0	10,190	229,275	0
Compensated Absences	1,323,907	123,955	139,865	1,307,997	107,979
Capital Leases	194,508	228,068	215,706	206,870	40,408
Total Governmental Activities					
Long-Term Obligations	<u>\$22,106,272</u>	<u>\$549,872</u>	<u>\$790,761</u>	<u>\$21,865,383</u>	<u>\$588,387</u>

2005 Various Purpose School Improvement General Obligation Bonds

On October 1, 2005, the School District issued \$21,000,000 in voted general obligation bonds for the purpose of constructing new classroom facilities. Current interest bonds were issued in an aggregate principal amount of \$19,980,000. Of these bonds, \$4,225,000 are serial bonds and \$15,755,000 are term bonds. The bonds were issued for a 28 year period with final maturity in December 2033. The bonds will be retired from the Bond Retirement Debt Service Fund.

The term bonds, issued at \$15,755,000 and maturing on December 1, 2033, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the fiscal years and in the respective principal amounts as follows:

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

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

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

The capital appreciation bonds, issued at \$1,020,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2016 and 2017, with a maturity amount of \$1,374,599 in fiscal years 2016 and 2017. For fiscal year 2011, the capital appreciation bonds were accreted \$197,849.

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

The School District's overall legal debt margin was \$2,362,755 with an unvoted debt margin of \$220,598 at June 30, 2011.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, are as follows:

Various Purpose School Improvement General Obligation Bonds - 2005							
Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Interest	Total
2012	\$0	\$0	\$440,000	\$845,162	\$0	\$0	\$1,285,162
2013	0	0	460,000	828,837	0	0	1,288,837
2014	0	0	475,000	811,305	0	0	1,286,305
2015	0	0	570,000	790,998	0	0	1,360,998
2016	0	0	0	0	513,690	860,912	1,374,602
2017-2021	1,960,000	2,120,718	595,000	767,252	506,310	868,289	6,817,569
2022-2026	4,250,000	2,786,780	0	0	0	0	7,036,780
2027-2031	5,520,000	1,560,374	0	0	0	0	7,080,374
2032-2034	4,025,000	269,173	0	0	0	0	4,294,173
Total	\$15,755,000	\$6,737,045	\$2,540,000	\$4,043,554	\$1,020,000	\$1,729,201	\$31,824,800

NOTE 16 – INTERFUND ACTIVITY

As of June 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Receivable
	General
Payable	
Other Governmental Funds	\$475,410

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

Jointly Governed Organizations

Miami Valley Educational Computer Association

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 24 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a Board of Directors consisting of superintendents and treasurers of the members' school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid MVECA \$120,320 for services during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Director, at 330 E. Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 126 school districts in 18 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by SOEPC. Each member district has one voting representative. Any district withdrawing from SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. During fiscal year 2011, the School District paid \$2,531 to SOEPC for membership. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Insurance Purchasing Pool

South Central Ohio Insurance Consortium

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

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 18 – SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Balance as of June 30, 2010	(\$709,150)	\$0
Current Fiscal Year Set-aside Requirement	327,518	327,518
Current Fiscal Year Offsets	0	(239,846)
Qualifying Disbursements	(322,568)	(87,672)
Set-aside Balance as of June 30, 2011	<u>(\$704,200)</u>	<u>\$0</u>
Required Set-aside Balances Carried Forward to Fiscal Year 2012	<u>(\$704,200)</u>	<u>\$0</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for textbooks and instructional materials. This amount may be carried forward to reduce the set-aside requirement of future fiscal years.

Amounts of offsets and qualifying disbursements for capital acquisitions presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District had qualifying disbursements during the fiscal year that would have reduced the set-aside amount for capital acquisitions to below zero, this extra amount may not be used to reduce the set-aside requirements of future fiscal years, therefore, the School District has chosen not to present them.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 19 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Litigation

During the fiscal year, the School District entered into litigation with Miami Trace Local School District involving the annexation of property. The School District's legal counsel estimates that the potential judgment against the School District resulting from the proceedings would not materially affect the financial statements of the School District. However, an estimated liability is reflected as "Judgments Payable" on the School District's financial statements.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES

The School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the following changes to fund balances and net assets at June 30, 2010, as previously reported:

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES (continued)

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance, June 30, 2010, as Previously Reported	\$420,806	\$887,826
Reclassification of Funds	195,842	(85,380)
Fund Balance, June 30, 2010, as Restated	<u>\$616,648</u>	<u>\$802,446</u>
	<u>Governmental Activities</u>	<u>Private Purpose Trust</u>
Net Assets, June 30, 2010, as Previously Reported	\$54,689,656	\$755,672
Reclassification of Funds	110,462	(110,462)
Fund Balance, June 30, 2010, as Restated	<u>\$54,800,118</u>	<u>\$645,210</u>

Washington Court House City School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 45,430	45,430
<i>Cash Assistance:</i>				
School Breakfast Program	05PU-2011	10.553	141,870	141,870
National School Lunch Program	LLP4-2011	10.555	465,935	465,935
<i>Cash Assistance Subtotal</i>			<u>607,805</u>	<u>607,805</u>
Nutrition Cluster Total			<u>653,235</u>	<u>653,235</u>
Total U.S. Department of Agriculture			<u>653,235</u>	<u>653,235</u>
U.S. Department of Education:				
<i>(Passed through Ohio Department of Education)</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	C1S1-2010	84.010	114,770	93,911
Title I Grants to Local Educational Agencies	C1S1-2011	84.010	354,471	503,527
ARRA - Title I Grants to Local Educational Agencies	n/a	84.389	163,721	186,336
			<u>632,962</u>	<u>783,774</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2010	84.027	69,445	67,120
Special Education - Grants to States	6BSF-2011	84.027	322,568	395,602
ARRA - Special Education - Grants to States	n/a	84.391	197,596	220,845
Special Education - Preschool Grants	PGS1-2010	84.173	-	270
Special Education - Preschool Grants	PGS1-2011	84.173	5,380	2,000
ARRA - Special Education - Preschool Grants	n/a	84.392	4,647	15,001
			<u>599,636</u>	<u>700,838</u>
Safe and Drug-Free Schools and Communities	DRS1-2010	84.186	5,380	6,910
Safe and Drug-Free Schools and Communities	DRS1-2011	84.186	2,390	2,390
			<u>7,770</u>	<u>9,300</u>
Education Technology State Grants	TJS1-2010	84.318	4,991	1,723
Education Technology State Grants	TJS1-2011	84.318	1,756	2,241
			<u>6,747</u>	<u>3,964</u>
Rural Education	RUSL-2010	84.358	33,221	36,988
Rural Education	RUSL-2011	84.358	36,681	45,798
			<u>69,902</u>	<u>82,786</u>
Improving Teacher Quality State Grants	TRS1-2010	84.367	14,172	15,900
Improving Teacher Quality State Grants	TRS1-2011	84.367	133,634	139,631
			<u>147,806</u>	<u>155,531</u>
Title I Sub G School Improvement Grants to Local Education Agencies	TRS1-2010	84.377	9,200	6,600
Title I Sub G School Improvement Grants to Local Education Agencies	TRS1-2011	84.377	57,775	57,775
			<u>66,975</u>	<u>64,375</u>
ARRA - State Fiscal Stabilization Fund	n/a	84.394	937,233	967,125
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	n/a	84.395	42,918	90,410
Education Jobs Fund	n/a	84.410	586,505	632,253
<i>(Passed through Great Oaks Institute of Technology and Career Development)</i>				
Career and Technical Education - Basic Grants to States	n/a	84.048	5,100	-
Total U.S. Department of Education			<u>3,103,554</u>	<u>3,490,356</u>
Total Federal Awards			\$ <u>3,756,789</u>	<u>4,143,591</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

NOTE C - NUTRITION CLUSTER

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District ("School District") as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 29, 2011, wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider the deficiency labeled as 2011-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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 obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter dated December 29, 2011.

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

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

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
December 29, 2011

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

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

Compliance

We have audited Washington Court House City School District's ("School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-2 and 2011-3.

Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-2 and 2010-3. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
December 29, 2011

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	yes

Identification of major programs:

Nutrition Cluster:

- CFDA 10.553 – School Breakfast Program*
- CFDA 10.555 – National School Lunch Program*

Title I, Part A Cluster:

- CFDA 84.010 – Title I Grants to Local Educational Agencies*
- CFDA 84.389 – ARRA - Title I Grants to Local Educational Agencies*

Special Education Cluster:

- CFDA 84.027 – Special Education Grants to States*
- CFDA 84.391 – ARRA - Special Education Grants to States*
- CFDA 84.173 – Special Education Preschool Grants*
- CFDA 84.392 – ARRA - Special Education Preschool Grants*

CFDA 84.394 – ARRA - State Fiscal Stabilization Fund

CFDA 84.410 – Education Jobs Fund

Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

Finding 2011-1 – Audit Adjustments

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

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

Management response: Accounts Payable: *The liability was recorded in the 010 fund (OSFC) and should have been recorded into the 004 fund (LFI) this adjustment will be taken care of.*
Accrued Wages and Benefits: *The expenditures that were made after the close of the State Fiscal Stabilization Grant was closed and will be recorded into the General Fund.*

Section III – Federal Award Findings and Questioned Costs

DEPARTMENT OF EDUCATION

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

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

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

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

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

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

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

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

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

Criteria: 34 CFR 80.20(b)(7) states in part “When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.” For the State Fiscal Stabilization funding, ODE provided the funding through its normal Foundation payment schedule and the School District was not required to request the funding. However, ODE stipulated that amounts received should be spent within 30 days or by the end of the month in which it was received, whichever came first.

Effect: Noncompliance with cash management requirements could result in funders seeking repayment of excess interest earnings on federal funding or other remedial actions.

Cause: The School District did not implement specific procedures to ensure that federal funds were disbursed in accordance with both Federal and ODE requirements.

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

Management response: *The district did not have control as to when the funds were received, but after the SFSF got under way the district was able to expend the funds as we received them.*

Finding 2010-1 – Audit Adjustments

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

- **Reserved for Encumbrances.** An audit adjustment was necessary to reduce fund balance reserved for encumbrances in the amount of \$2,770,234 in the Ohio School Facilities Construction Fund. Total fund balance was correct but certain purchase orders related to the construction project were not closed out in the School District's accounting system, despite the work being completed. Thus, when calculating the amount of fund balance reserved for encumbrances, the School District incorrectly included these purchase orders which should have been closed.

Status: *Due to the implementation of GASB Statement No. 54, Reserved for Encumbrances is no longer a fund balance classification. However, adjustments were needed to the financial statements in 2011. See current year Finding 2011-1.*

Finding 2010-2 Special Education Cluster - CFDA No's. 84.027, 84.391, and 84.173

Condition: We performed tests to determine if the School District was properly preparing semi-annual certifications for employees that work solely on specific federal programs to support salaries and wages. We noted these certifications were not prepared by the School District.

Criteria: OMB Circular A-87, Attachment B states that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages are to be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semi-annually and will be signed by the employee and supervisor or just the supervisor, if they have firsthand knowledge of the information contained in the certification.

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

Cause: The School District lacked procedures to ensure the proper completion of certifications on a semi-annual basis.

Recommendation: We recommend the School District implement procedures to ensure these semi-annual certificates are prepared in a timely manner and reviewed for completeness prior to being filed to comply with federal regulations.

Status: *Similar noncompliance in current year Finding 2011-2.*

Finding 2010-3 - State Fiscal Stabilization Fund – ARRA – CFDA No. 84.394

Condition: We performed tests to determine if the School District was properly reporting vendors that received a single payment, from a single ARRA grant, in excess of \$25,000 to the Ohio Department of Education (ODE) on the 1512 ARRA Subrecipient Vendor report. We noted one payment to a vendor which appeared to meet the criteria to be reported in accordance with ODE 1512 ARRA Subrecipient Vendor reporting requirements but was not reported.

Criteria: American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c) requires any entity that receives certain Recovery funds directly from the Federal government to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. The School District did not receive direct ARRA funding. However, the Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance states that ODE, as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. Further, the ODE's reporting guidance indicates that ODE distributes ARRA funds to local education agencies (LEAs) as subrecipients and must collect quarterly data from LEAs to meet the 1512 reporting requirements associated with ARRA funding. Thus, the 1512 reporting requirements filter down to the School District and the School District is required to report certain information to ODE. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000.

Effect: The failure to properly report 1512 information in accordance with program requirements could cause the ODE's 1512 reporting to be inaccurate.

Cause: The School District did not implement specific procedures to ensure that all vendors receiving single payments of \$25,000, from a single ARRA grant, were reported on the ODE 1512 ARRA Subrecipient Vendor report on a quarterly basis.

Recommendation: We recommend the School District implement procedures to ensure that all vendors receiving single payments of \$25,000 are reported on the ODE 1512 ARRA Subrecipient Vendor report to comply with federal regulations.

Status: Corrected.

Independent Accountants' Report on Applying Agreed-Upon Procedure

Washington Court House City School District
Fayette County
306 Highland Avenue
Washington Court House, OH 43160

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy on October 4, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 29, 2011

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Dave Yost • Auditor of State

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2012