

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2012*

KRISTEN RHOADS, TREASURER



Dave Yost • Auditor of State

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

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

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

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

Dave Yost
Auditor of State

January 25, 2013

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Circleville City School District
388 Clark Drive
Circleville, Ohio 43113

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the Circleville City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Julian & Grube, Inc.
November 29, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets of governmental activities increased \$178,619 which represents a 0.37% increase from 2011.
- General revenues accounted for \$22,020,414 in revenue or 80.89% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,203,059 or 19.11% of total revenues of \$27,223,473.
- The District had \$27,044,854 in expenses related to governmental activities; only \$5,203,059 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$22,020,414 were adequate to provide for these programs.
- The District's major funds are the general fund and the classroom facilities fund. The general fund had \$19,666,646 in revenues and \$20,967,047 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$1,272,642 from a balance of \$15,551,085 to a balance of \$14,238,443.
- The classroom facilities fund had \$4,861,861 in revenues and \$4,781,088 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance increased \$80,773 from a balance of \$40,100,443 to a balance of \$40,181,216.

Using these Basic Financial Statements

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Fund

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-58 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2012 compared to fiscal year 2011.

	Net Assets	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 98,149,147	\$ 101,816,153
Capital assets, net	<u>11,939,598</u>	<u>6,652,715</u>
Total assets	<u>110,088,745</u>	<u>108,468,868</u>
<u>Liabilities</u>		
Current liabilities	14,040,653	12,233,804
Long-term liabilities	<u>47,876,114</u>	<u>48,241,705</u>
Total liabilities	<u>61,916,767</u>	<u>60,475,509</u>
<u>Net Assets</u>		
Invested in capital assets, net of debt	10,672,377	6,057,983
Restricted	24,794,752	27,662,610
Unrestricted	<u>12,704,849</u>	<u>14,272,766</u>
Total net assets	<u>\$ 48,171,978</u>	<u>\$ 47,993,359</u>

Over time, net assets can serve as a useful indicator of government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$48,171,978. Of this total, \$24,794,752 is restricted in use.

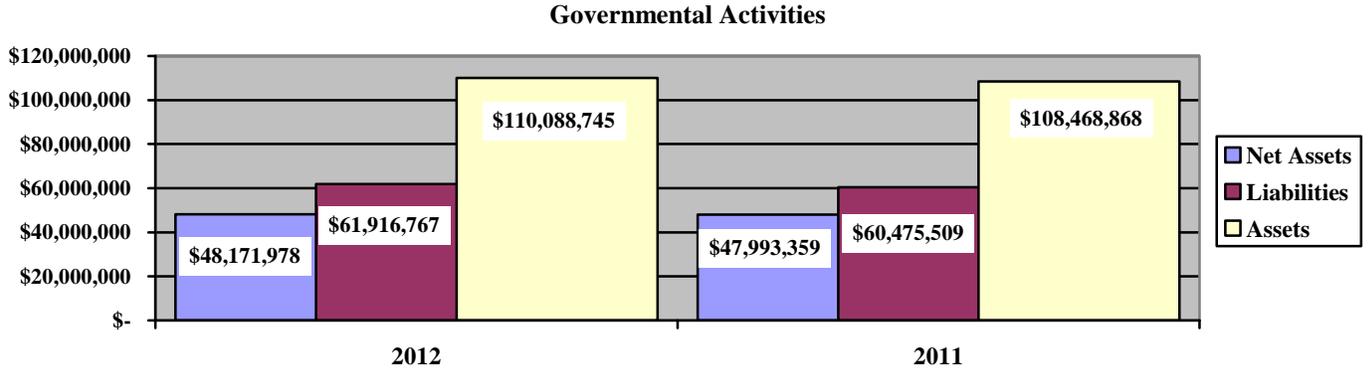
At year end, capital assets represented 10.85% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$10,672,377. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$24,794,752, represents resources that are subject to external restriction on how they may be used.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The graph below shows the District's assets, liabilities and net assets at June 30, 2012 and 2011:



The table below shows the change in net assets for fiscal year 2012 and 2011.

	Change in Net Assets	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,174,027	\$ 1,044,464
Operating grants and contributions	3,871,041	5,553,948
Capital grants and contributions	157,991	432,634
General revenues:		
Property taxes	7,596,099	11,472,429
Revenue in lieu of taxes	113,573	106,525
School district income taxes	1,530,263	1,435,763
Grants and entitlements	12,518,808	38,643,556
Investment earnings	91,443	182,717
Miscellaneous	170,228	85,854
Total revenues	<u>27,223,473</u>	<u>58,957,890</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Governmental Activities	
	2012	2011
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 11,002,837	\$ 11,805,073
Special	2,989,899	2,892,445
Vocational	110,155	121,008
Other	1,759	107,019
Support services:		
Pupil	1,186,113	1,043,816
Instructional staff	2,040,914	3,700,745
Board of education	110,203	144,872
Administration	2,044,180	1,972,296
Fiscal	598,047	604,941
Operations and maintenance	1,708,239	1,655,385
Pupil transportation	882,930	964,932
Central	18,372	-
Operation of non-instructional services:		
Other non-instructional services	129,285	120,828
Food service operations	985,659	1,099,613
Extracurricular activities	455,763	545,811
Interest and fiscal charges	2,780,499	2,277,764
 Total expenses	 27,044,854	 29,056,548
 Changes in net assets	 178,619	 29,901,342
Net assets at beginning of year	47,993,359	18,092,017
Net assets at end of year	\$ 48,171,978	\$ 47,993,359

Governmental Activities

Net assets of the District's governmental activities increased \$178,619. Total governmental expenses of \$27,044,854 were offset by program revenues of \$5,203,059 and general revenues of \$22,020,414. Program revenues supported 19.24% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements not restricted to specific programs. These revenue sources represent 79.93% of total governmental revenue. Real estate property is reappraised every six years. Total revenues decreased \$31,734,417 during the current fiscal year. The majority of the decrease was in grants and entitlements revenue as the District recorded an Ohio School Facilities Commission grant in fiscal year 2011 for \$27,457,590.

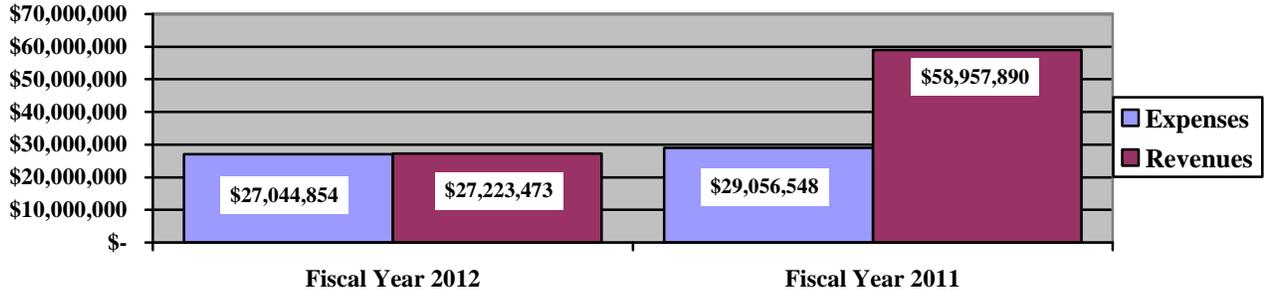
Total expenses decreased \$2,011,694 primarily due to the decrease related to instructional staff expense.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2012 and 2011.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

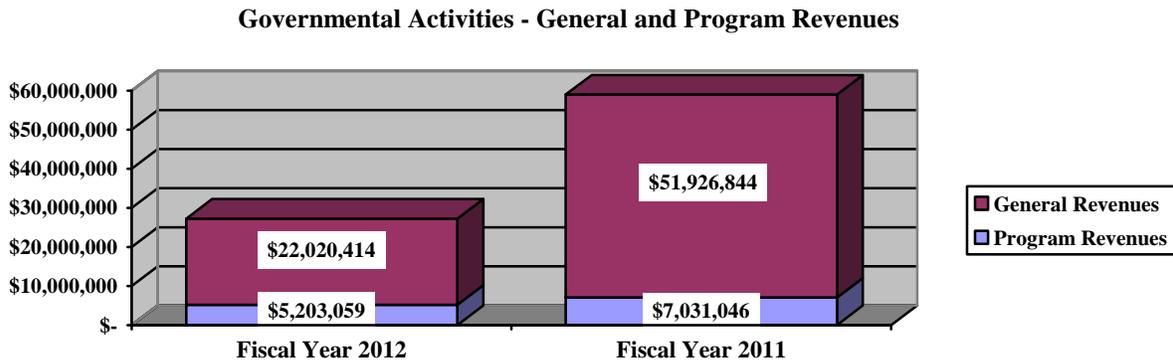
	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses:				
Instruction:				
Regular	\$ 11,002,837	\$ 9,464,698	\$ 11,805,073	\$ 10,753,066
Special	2,989,899	1,732,923	2,892,445	1,131,864
Vocational	110,155	110,155	121,008	61,803
Other	1,759	1,759	107,019	107,019
Support services:				
Pupil	1,186,113	1,116,965	1,043,816	1,040,793
Instructional staff	2,040,914	1,585,363	3,700,745	2,014,538
Board of Education	110,203	110,203	144,872	139,872
Administration	2,044,180	1,861,512	1,972,296	1,283,605
Fiscal	598,047	598,047	604,941	604,941
Operations and maintenance	1,708,239	1,517,768	1,655,385	1,642,245
Pupil transportation	882,930	845,096	964,932	949,249
Central	18,372	18,372	-	-
Operation of non-instructional services:				
Other non-instructional services	129,285	32,052	120,828	30,150
Food service operations	985,659	(113,372)	1,099,613	9,167
Extracurricular activities	455,763	337,746	545,811	412,060
Interest and fiscal charges	2,780,499	2,622,508	2,277,764	1,845,130
Total expenses	<u>\$ 27,044,854</u>	<u>\$ 21,841,795</u>	<u>\$ 29,056,548</u>	<u>\$ 22,025,502</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The dependence upon tax and other general revenues for governmental activities is apparent, 80.18% of instruction activities in fiscal year 2012 are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.76%. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2012 and 2011.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$63,816,312 which is lower than last year's total of \$64,371,745. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>
General	\$ 14,238,443	\$ 15,511,085	\$ (1,272,642)
Classroom Facilities	40,181,216	40,100,443	80,773
Other governmental	<u>9,396,653</u>	<u>8,760,217</u>	<u>636,436</u>
Total	<u>\$ 63,816,312</u>	<u>\$ 64,371,745</u>	<u>\$ (555,433)</u>

General Fund

The District's general fund balance decreased \$1,272,642. Tax revenues decreased due to a decrease in the amount of taxes available for advance from the County Auditor. Earnings on investments decreased due to decreased interest rates. Intergovernmental revenues increased due to an increase in the amount of school foundation revenues received. Expenditures related to instruction and support services increased during the year due to an increase in personnel costs.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 7,337,894	\$ 10,860,451	(32.43) %
Earnings on investments	63,357	109,261	(42.01) %
Intergovernmental	11,342,986	11,153,130	1.70 %
Other revenues	<u>922,409</u>	<u>761,409</u>	21.15 %
Total	<u>\$ 19,666,646</u>	<u>\$ 22,884,251</u>	(14.06) %
<u>Expenditures</u>			
Instruction	\$ 12,499,224	\$ 12,120,833	3.12 %
Support services	7,954,424	7,219,630	10.18 %
Extracurricular activities	343,510	394,388	(12.90) %
Operation of non-instructional services	31,911	2,160	1,377.36 %
Facilities acquisition and construction	5,935	392,087	(98.49) %
Debt service	<u>31,898</u>	<u>31,701</u>	0.62 %
Total	<u>\$ 20,866,902</u>	<u>\$ 20,160,799</u>	3.50 %

Classroom Facilities Fund

The classroom facilities fund had \$4,861,861 in revenues and \$4,781,088 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance increased \$80,773 from a balance of \$40,100,443 to a balance of \$40,181,216.

General Fund Budgeting Highlights

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

General fund original and final revenues and other financing sources of \$22,090,172 were \$765,735 lower than the actual revenues of \$22,855,907.

General fund original appropriations and other financing uses of \$23,328,390 were increased to \$23,329,390 in the final appropriations. The actual budget basis expenditures for fiscal year 2012 totaled \$22,022,807, which was \$1,306,583 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$11,939,598 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2012 balances compared to 2011:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 1,729,514	\$ 1,729,514
Construction in progress	7,116,937	1,641,390
Land improvements	13,820	16,892
Building and improvements	2,725,178	2,885,667
Furniture and equipment	179,055	200,142
Vehicles	<u>175,094</u>	<u>179,110</u>
Total	<u>\$ 11,939,598</u>	<u>\$ 6,652,715</u>

The overall increase in capital assets is due to capital outlays of \$5,521,633 exceeding depreciation expense of \$234,750 in the current period.

See Note 9 to the basic financial statements for detail.

Debt Administration

At June 30, 2012, the District had \$169,586 in a lease purchase agreement, \$279,000 in energy conservation notes, \$7,000,000 in certificates of participation and \$37,893,750 in general obligation bonds outstanding. Of this total, \$690,586 is due within one year and \$44,651,750 is due within greater than one year. The following table summarizes the liabilities outstanding.

	Outstanding Debt, at Year End	
	Governmental	Governmental
	Activities	Activities
	<u>2012</u>	<u>2011</u>
Lease purchase agreement	\$ 169,586	\$ 331,058
Energy conservation notes	279,000	299,000
Certificates of participation	7,000,000	7,000,000
General obligation bonds	<u>37,893,750</u>	<u>37,980,154</u>
Total	<u>\$45,342,336</u>	<u>\$45,610,212</u>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Current Financial Related Activities

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

In May of 2010, the District was successful in passing a \$37,917,624 bond Issue. This bond issue will be used to fund the district's share of the \$65.3 million dollar new facilities construction project with the Ohio School Facilities Commission. This project will build a new Pre-Kindergarten through 12th grade school campus. The early site packet has been awarded. The contracts for the construction of the new elementary and high school have been approved by Board of Education and have been submitted to the Ohio School Facilities Commission as of June 30, 2012. After the contracts are approved by the Commission, construction will begin. It is anticipated that the new high school will open January 1, 2014, followed by the opening of the elementary in September of 2014. The middle school will be the last building to be completed, with an estimated completion date of September 2015.

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

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 64,625,747
Cash with escrow agents	621,587
Receivables:	
Property taxes	10,736,117
Income taxes.	473,179
Payment in lieu of taxes	144,880
Accounts.	186,806
Intergovernmental	20,725,990
Accrued interest	29,697
Prepayments	87,399
Materials and supplies inventory.	47,363
Unamortized bond issuance costs	470,382
Capital assets:	
Land and construction in progress.	8,846,451
Depreciable capital assets, net.	3,093,147
Capital assets, net	11,939,598
Total assets.	110,088,745
Liabilities:	
Accounts payable.	92,580
Contracts payable.	1,418,335
Retainage payable	116,196
Accrued wages and benefits	1,978,998
Pension obligation payable.	509,047
Intergovernmental payable	76,106
Accrued interest payable	394,538
Unearned revenue	9,454,853
Long-term liabilities:	
Due within one year.	822,238
Due in more than one year.	47,053,876
Total liabilities	61,916,767
Net Assets:	
Invested in capital assets, net of related debt.	10,672,377
Restricted for:	
Capital projects	23,227,701
Classroom facilities maintenance	263,760
Debt service.	1,066,342
State funded programs.	15,451
Federally funded programs	9,075
Student activities	92,019
Other purposes	120,404
Unrestricted.	12,704,849
Total net assets	\$ 48,171,978

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular	\$ 11,002,837	\$ 488,520	\$ 1,049,619	\$ -	\$ (9,464,698)
Special	2,989,899	64,277	1,192,699	-	(1,732,923)
Vocational	110,155	-	-	-	(110,155)
Other	1,759	-	-	-	(1,759)
Support services:					
Pupil	1,186,113	-	69,148	-	(1,116,965)
Instructional staff	2,040,914	-	455,551	-	(1,585,363)
Board of education	110,203	-	-	-	(110,203)
Administration	2,044,180	733	181,935	-	(1,861,512)
Fiscal	598,047	-	-	-	(598,047)
Operations and maintenance	1,708,239	190,471	-	-	(1,517,768)
Pupil transportation	882,930	-	37,834	-	(845,096)
Central	18,372	-	-	-	(18,372)
Operation of non-instructional services:					
Other non-instructional services	129,285	-	97,233	-	(32,052)
Food service operations	985,659	314,137	784,894	-	113,372
Extracurricular activities	455,763	115,889	2,128	-	(337,746)
Interest and fiscal charges	2,780,499	-	-	157,991	(2,622,508)
Totals	\$ 27,044,854	\$ 1,174,027	\$ 3,871,041	\$ 157,991	(21,841,795)
General Revenues:					
Property taxes levied for:					
General purposes					5,930,461
Debt service					1,281,840
Capital outlay					383,798
School district income taxes					1,530,263
Revenue in lieu of taxes					113,573
Grants and entitlements not restricted to specific programs					12,518,808
Investment earnings					91,443
Miscellaneous					170,228
Total general revenues					22,020,414
Change in net assets					178,619
Net assets at beginning of year					47,993,359
Net assets at end of year					\$ 48,171,978

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 14,996,383	\$ 40,441,634	\$ 9,165,477	\$ 64,603,494
Cash with escrow agents	5	116,196	505,386	621,587
Receivables:				
Property taxes	8,330,474	-	2,405,643	10,736,117
Income taxes	473,179	-	-	473,179
Payment in lieu of taxes	144,880	-	-	144,880
Accounts	69,567	-	117,239	186,806
Intergovernmental	163,461	20,227,209	335,320	20,725,990
Accrued interest	8,148	14,408	7,141	29,697
Interfund loans	175,973	-	-	175,973
Prepayments	24,437	59,853	3,109	87,399
Materials and supplies inventory	40,759	-	6,604	47,363
Restricted assets:				
Equity in pooled cash and cash equivalents	22,253	-	-	22,253
Total assets	<u>\$ 24,449,519</u>	<u>\$ 60,859,300</u>	<u>\$ 12,545,919</u>	<u>\$ 97,854,738</u>
Liabilities:				
Accounts payable	\$ 83,966	\$ -	\$ 8,614	\$ 92,580
Contracts payable	-	1,328,226	90,109	1,418,335
Retainage payable	-	116,196	-	116,196
Accrued wages and benefits	1,708,035	-	270,963	1,978,998
Pension obligation payable	427,855	-	81,192	509,047
Intergovernmental payable	66,237	-	9,869	76,106
Interfund loans payable	-	-	175,973	175,973
Deferred revenue	550,992	19,233,662	431,684	20,216,338
Unearned revenue	7,373,991	-	2,080,862	9,454,853
Total liabilities	<u>10,211,076</u>	<u>20,678,084</u>	<u>3,149,266</u>	<u>34,038,426</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	40,759	-	6,604	47,363
Prepayments	24,437	59,853	3,109	87,399
Restricted:				
Debt service	-	-	1,374,986	1,374,986
Capital improvements	-	40,121,363	7,824,397	47,945,760
Classroom facilities maintenance	-	-	263,760	263,760
Food service operations	-	-	101,757	101,757
Non-public schools	-	-	4,651	4,651
Other purposes	-	-	21,603	21,603
Extracurricular activities	-	-	92,019	92,019
School bus purchases	22,253	-	-	22,253
Committed:				
Capital improvements	-	-	100,000	100,000
Student and staff support	113,517	-	-	113,517
Student instruction	55,940	-	-	55,940
Assigned:				
Student instruction	63,506	-	-	63,506
Student and staff support	412,701	-	-	412,701
Extracurricular activities	225	-	-	225
Subsequent year appropriations	452,688	-	-	452,688
Unassigned (deficit)	13,052,417	-	(396,233)	12,656,184
Total fund balances	<u>14,238,443</u>	<u>40,181,216</u>	<u>9,396,653</u>	<u>63,816,312</u>
Total liabilities and fund balances	<u>\$ 24,449,519</u>	<u>\$ 60,859,300</u>	<u>\$ 12,545,919</u>	<u>\$ 97,854,738</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$ 63,816,312
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,939,598
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 497,193	
Accrued interest receivable	23,488	
Intergovernmental receivable	19,695,657	
Total		20,216,338
Bond issuance costs are not recognized in the funds.		470,382
Unamortized premiums on bond issuances are not recognized in the funds.		(993,249)
On the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.		(394,538)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(37,893,750)	
Certificates of participation	(7,000,000)	
Energy conservation notes	(279,000)	
Lease purchase obligation	(169,586)	
Compensated absences	(1,540,529)	
Total		(46,882,865)
Net assets of governmental activities		\$ 48,171,978

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 5,807,631	\$ -	\$ 1,643,930	\$ 7,451,561
Income taxes	1,530,263	-	-	1,530,263
Payment in lieu of taxes	113,573	-	-	113,573
Tuition	495,451	-	-	495,451
Charges for services	-	-	314,137	314,137
Earnings on investments	63,357	136,745	46,204	246,306
Extracurricular	34,876	-	117,912	152,788
Classroom materials and fees	23,908	-	-	23,908
Rental income	76,693	-	-	76,693
Contract services	733	-	113,778	114,511
Other local revenues	177,175	-	19,419	196,594
Intergovernmental - intermediate	600	-	-	600
Intergovernmental - state	11,249,255	4,725,116	657,438	16,631,809
Intergovernmental - federal	93,131	-	4,765,972	4,859,103
Total revenues	19,666,646	4,861,861	7,678,790	32,207,297
Expenditures:				
Current:				
Instruction:				
Regular	10,426,688	-	445,190	10,871,878
Special	1,968,921	-	1,027,703	2,996,624
Vocational	101,856	-	-	101,856
Other	1,759	-	-	1,759
Support services:				
Pupil	1,131,497	-	82,732	1,214,229
Instructional staff	1,621,550	-	445,223	2,066,773
Board of education	110,203	-	-	110,203
Administration	1,885,262	-	167,082	2,052,344
Fiscal	568,380	-	48,170	616,550
Operations and maintenance	1,762,676	-	-	1,762,676
Pupil transportation	856,484	-	36,791	893,275
Central	18,372	-	-	18,372
Operation of non-instructional services:				
Other non-instructional services	31,911	-	90,579	122,490
Food service operations	-	-	1,022,185	1,022,185
Extracurricular activities	343,510	-	110,154	453,664
Facilities acquisition and construction	5,935	4,781,088	631,497	5,418,520
Debt service:				
Principal retirement	20,000	-	361,472	381,472
Interest and fiscal charges	11,898	-	2,668,958	2,680,856
Total expenditures	20,866,902	4,781,088	7,137,736	32,785,726
Excess of revenues over expenditures	(1,200,256)	80,773	541,054	(578,429)
Other financing sources (uses):				
Transfers in	-	-	363,905	363,905
Transfers (out)	(100,145)	-	(263,760)	(363,905)
Total other financing sources (uses)	(100,145)	-	100,145	-
Net change in fund balances	(1,300,401)	80,773	641,199	(578,429)
Fund balances at beginning of year	15,511,085	40,100,443	8,760,217	64,371,745
Increase (decrease) in reserve for inventory	27,759	-	(4,763)	22,996
Fund balances at end of year	\$ 14,238,443	\$ 40,181,216	\$ 9,396,653	\$ 63,816,312

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (578,429)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$ 5,521,633	
Current year depreciation	(234,750)	
Total	5,286,883	

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

22,996

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

Taxes	144,538	
Earnings on investments	3,153	
Intergovernmental	(5,024,350)	
Total	(4,876,659)	

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

381,472

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	720	
Accreted interest on capital appreciation bonds	(113,596)	
Amortization of bond issuance costs	(21,823)	
Amortization of bond premiums	35,056	
Total	(99,643)	

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

41,999

Change in net assets of governmental activities **\$ 178,619**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Property taxes	\$ 7,944,687	\$ 7,944,687	\$ 7,730,286	\$ (214,401)
Income taxes.	1,428,054	1,428,054	1,513,134	85,080
Revenue in lieu of taxes	56,371	56,371	93,664	37,293
Tuition.	424,976	424,976	495,451	70,475
Earnings on investments.	179,322	179,322	66,583	(112,739)
Extracurricular.	35	35	-	(35)
Classroom materials and fees	24,500	24,500	23,908	(592)
Rental income	11,790	11,790	11,693	(97)
Contract services.	-	-	733	733
Other local revenues	69,887	69,887	166,801	96,914
Intergovernmental - intermediate	-	-	600	600
Intergovernmental - state.	11,371,269	11,371,269	11,249,255	(122,014)
Intergovernmental - federal	86,190	86,190	93,893	7,703
Total revenues	<u>21,597,081</u>	<u>21,597,081</u>	<u>21,446,001</u>	<u>(151,080)</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,479,779	10,480,231	10,425,592	54,639
Special.	2,090,776	2,090,867	2,095,462	(4,595)
Vocational.	100,993	100,997	101,133	(136)
Other.	205,926	205,935	15,502	190,433
Support services:				
Pupil.	1,075,806	1,075,853	1,168,362	(92,509)
Instructional staff	2,389,155	2,389,259	1,852,977	536,282
Board of education	277,064	277,076	117,130	159,946
Administration.	1,947,795	1,947,880	1,829,585	118,295
Fiscal	658,683	658,712	600,373	58,339
Operations and maintenance.	2,506,786	2,506,895	2,034,664	472,231
Pupil transportation	860,850	860,887	897,220	(36,333)
Central.	13,882	13,883	18,497	(4,614)
Operation of non-instructional services:				
Other non-instructional services.	1,690	1,690	30,289	(28,599)
Extracurricular activities	371,111	371,127	349,058	22,069
Facilities acquisition and construction	40,963	40,965	5,935	35,030
Debt service:				
Principal	19,999	20,000	20,000	-
Interest and fiscal charges	13,462	13,463	11,898	1,565
Bank charges	525	525	1,013	(488)
Total expenditures.	<u>23,055,245</u>	<u>23,056,245</u>	<u>21,574,690</u>	<u>1,481,555</u>
Excess of expenditures over revenues.	<u>(1,458,164)</u>	<u>(1,459,164)</u>	<u>(128,689)</u>	<u>1,330,475</u>
Other financing sources (uses):				
Refund of prior year's expenditures.	8,189	8,189	-	(8,189)
Refund of prior year's receipts	(1,000)	(1,000)	-	1,000
Transfers in	-	-	150,000	150,000
Transfers (out)	(250,145)	(250,145)	(250,145)	-
Advances in.	484,902	484,902	1,259,506	774,604
Advances (out)	(22,000)	(22,000)	(197,972)	(175,972)
Sale of capital assets	-	-	400	400
Total other financing sources (uses)	<u>219,946</u>	<u>219,946</u>	<u>961,789</u>	<u>741,843</u>
Net change in fund balance	(1,238,218)	(1,239,218)	833,100	2,072,318
Fund balance at beginning of year	12,165,126	12,165,126	12,165,126	-
Prior year encumbrances appropriated.	786,530	786,530	786,530	-
Fund balance at end of year	\$ 11,713,438	\$ 11,712,438	\$ 13,784,756	\$ 2,072,318

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ 31,764	\$ 105,121
Total assets.	<u>31,764</u>	<u>\$ 105,121</u>
Liabilities:		
Accounts payable.	-	\$ 18,136
Due to students.	-	86,985
Total liabilities	<u>-</u>	<u>\$ 105,121</u>
Net assets:		
Held in trust for scholarships	<u>31,764</u>	
Total net assets	<u>\$ 31,764</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 1
Total additions.	1
 Deductions:	
Scholarships awarded	1,000
Change in net assets.	(999)
Net assets at beginning of year	32,763
Net assets at end of year.	\$ 31,764

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 227th largest by enrollment among the 918 public and community school districts in the State. The District employs 91 non-certified and 161 certified employees to provide services to approximately 2,197 students and community groups. The District provides regular instruction, special instruction and vocational programs through the Pickaway-Ross Career and Technology Center. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, pupil transportation, food services, extracurricular activities and non-programmed services. The District co-operates with the Pickaway County Educational Service Center, a separate entity, for curricular services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The District is a participant in the South Central Ohio Computer Association (“SCOCA”) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Jackson, Vinton, Pickaway, Gallia, Ross and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The District paid \$62,517 to SCOCA for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway County Public Employer Benefits Program

The District has joined with Teays Valley Local School District, Logan Elm Local School District and Westfall Local School District to form the Pickaway County Public Employer Benefits Program (“PCPEBP”), a public entity shared risk pool organized to provide health care benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by their superintendent or superintendent designee. Logan Elm Local School District serves as fiscal agent for the PCPEBP. To obtain financial information, write Nick Roberts, Treasurer, Logan Elm Local School District, 9579 Tarlton Road, Circleville, Ohio 43113-9448.

Pickaway-Ross Career and Technology Center

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

PUBLIC ENTITY RISK POOL

Workers’ Compensation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Classroom facilities fund - A capital projects fund is used to account for and report monies received that are restricted for expenditures in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

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

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

D. Basis of Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

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

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

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2012, are recorded as deferred revenue.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2012 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2012.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

F. Cash and Investments

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

During fiscal year 2012, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) Securities, Federal Farm Credit Bank (FFCB) securities, U.S. Government money market funds, U.S. Government discount notes, U.S. Treasury Bills, U.S. Treasury Notes and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2012 amounted to \$63,357, which includes \$8,453 assigned from other District funds.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

G. Inventory

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

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

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

H. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

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

I. Capital Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 15 years
Buildings and improvements	40 years
Furniture and equipment	5 - 15 years
Vehicles	10 years

J. Interfund Balances

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

K. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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 District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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 District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**CIRCLEVILLE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

N. Parochial School

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

O. Restricted Assets

Restricted assets in the general fund represent \$22,253 in cash and cash equivalents that are restricted for school bus purchased by the State of Ohio. A schedule of the restricted assets is presented in Note 18.

P. Estimates

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

Q. Unamortized Bond and Note Issuance Costs/Bond and Note Premium

On government-wide financial statements, bond and note issuance costs are deferred and amortized over the term of the bonds or notes using the straight-line method. Unamortized bond or note issuance costs are recorded as a separate line item on the statement of net assets.

Bond and note premiums are deferred and amortized over the term of the bonds or notes using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Note premiums are presented as an addition to the face amount of the notes.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

R. Net Assets

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

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

S. Interfund Activity

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**CIRCLEVILLE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 45,452
Race to the top	19,090
Title VI-B	116,717
Stimulus Title II-D	2,828
School improvement stimulus A	4,856
Title I	94,055
Title VI-B	11
Improving teacher quality	43,097
Miscellaneous federal grants	70,127

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

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

A. Cash with Escrow Agents

At fiscal year end, \$2,997 was on deposit with Huntington National Bank in relation to the District's Series 2010 bonds.

At year end, \$5 was on deposit with The Savings Bank in relation to the District's OHSAA Tournament Games.

**CIRCLEVILLE CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

At year end, \$116,196 was on deposit with WesBanco Bank in relation to the retainage held for the District's Ohio School Facilities Commission project. These funds are not included in the "carrying amount of deposits".

At fiscal year end, \$502,389 was on deposit with an escrow agent for monies held in relation to the District's sinking fund deposits that are required for the District's Series 2010A bonds (See Note 10.B.) and the District's Certificates of Participation (See Note 10.E.).

These funds are not included in the "carrying amount of deposits".

B. Cash on Hand

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

C. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$1,876,029. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$2,418,913 of the District's bank balance of \$2,668,913 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

D. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 849,959	\$ 600,164	\$ -	\$ 249,795	\$ -	\$ -
FHLB	23,063,597	4,278,099	2,401,815	9,584,438	4,222,571	2,576,674
FHLB - discount notes	8,000,429	4,964,907	3,035,522	-	-	-
FHLMC	3,353,873	3,353,873	-	-	-	-
FHLMC - discount notes	4,923,450	499,975	4,423,475	-	-	-
FNMA	11,012,086	3,512,871	-	2,340,364	-	5,158,851
U.S. Government money market	14,457	14,457	-	-	-	-
U.S. Government discount notes	2,043,305	924,955	1,118,350	-	-	-
U.S. Treasury bills	698,568	-	698,568	-	-	-
U.S. Treasury note	1,695,826	349,412	-	1,346,414	-	-
STAR Ohio	7,230,703	7,230,703	-	-	-	-
Total	\$ 62,886,253	\$ 25,729,416	\$ 11,677,730	\$ 13,521,011	\$ 4,222,571	\$ 7,735,525

The weighted average maturity of investments is 1.00 years.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FFCB	\$ 849,959	1.35
FHLB	23,063,597	36.68
FHLB - discount notes	8,000,429	12.72
FHLMC	3,353,873	5.33
FHLMC - discount notes	4,923,450	7.83
FNMA	11,012,086	17.51
U.S. Government money market	14,457	0.02
U.S. Government discount notes	2,043,305	3.25
U.S. Treasury bills	698,568	1.11
U.S. Treasury note	1,695,826	2.70
STAR Ohio	<u>7,230,703</u>	<u>11.50</u>
Total	<u>\$ 62,886,253</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,876,029
Investments	62,886,253
Cash with escrow agent	621,587
Cash on hand	<u>350</u>
Total	<u>\$ 65,384,219</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 65,247,334
Private-purpose trust fund	31,764
Agency fund	<u>105,121</u>
Total	<u>\$ 65,384,219</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2012 consisted of the following interfund loans receivable and payable, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 175,973</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

- B.** Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported in the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 100,145
Nonmajor governmental funds	<u>263,760</u>
 Total	 <u>\$ 363,905</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer in the amount of \$263,760 from the permanent improvement fund (a nonmajor governmental fund) to the classroom facilities maintenance fund (a nonmajor governmental fund) was in accordance with their OSFC agreement regarding earmarking of funds. All transfers made in fiscal year 2012 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Pickaway County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$695,667 in the general fund, \$164,299 in the debt service fund (a nonmajor governmental fund) and \$49,076 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$2,618,322 in the general fund, \$583,544 in the debt service fund (a nonmajor governmental fund) and \$181,583 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 247,026,420	95.43	\$ 245,649,830	95.19
Public utility personal	11,518,990	4.45	12,403,580	4.81
Tangible personal property	<u>307,710</u>	<u>0.12</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 258,853,120</u>	<u>100.00</u>	<u>\$ 258,053,410</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$59.73		\$60.14	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 10,736,117
Income taxes	473,179
Payment in lieu of taxes	144,880
Accounts	186,806
Intergovernmental	20,725,990
Accrued interest	<u>29,697</u>
 Total	 <u>\$ 32,296,669</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the Ohio Schools Facilities Commission intergovernmental receivable of \$20,227,209, which will be collected over the duration of the construction project.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS

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

	Balance			Balance
	<u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,729,514	\$ -	\$ -	\$ 1,729,514
Construction in progress	<u>1,641,390</u>	<u>5,475,547</u>	<u>-</u>	<u>7,116,937</u>
Total capital assets, not being depreciated	<u>3,370,904</u>	<u>5,475,547</u>	<u>-</u>	<u>8,846,451</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,214,239	-	-	1,214,239
Building and improvements	9,400,771	-	-	9,400,771
Furniture and equipment	701,838	15,458	-	717,296
Vehicles	<u>1,024,363</u>	<u>30,628</u>	<u>(7,606)</u>	<u>1,047,385</u>
Total capital assets, being depreciated	<u>12,341,211</u>	<u>46,086</u>	<u>(7,606)</u>	<u>12,379,691</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,197,347)	(3,072)	-	(1,200,419)
Building and improvements	(6,515,104)	(160,489)	-	(6,675,593)
Furniture and equipment	(501,696)	(36,545)	-	(538,241)
Vehicles	<u>(845,253)</u>	<u>(34,644)</u>	<u>7,606</u>	<u>(872,291)</u>
Total accumulated depreciation	<u>(9,059,400)</u>	<u>(234,750)</u>	<u>7,606</u>	<u>(9,286,544)</u>
Governmental activities capital assets, net	<u>\$ 6,652,715</u>	<u>\$ 5,286,883</u>	<u>\$ -</u>	<u>\$ 11,939,598</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 153,624
Special	4,147
Vocational	8,581
<u>Support services:</u>	
Pupil	1,175
Instructional staff	8,919
Administration	3,333
Fiscal	773
Operations and maintenance	5,935
Pupil transportation	34,644
<u>Operation of non-instructional services:</u>	
Food service operations	3,920
Other non-instructional services	6,795
Extracurricular	<u>2,904</u>
Total depreciation expense	<u>\$ 234,750</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS

A. During fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/12</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
General obligation bonds:					
Series 2010 A Bonds					
Current interest bonds	\$ 11,260,000	\$ -	\$ -	\$ 11,260,000	\$ -
Series 2010 B Bonds					
Current interest bonds	1,750,000	-	(200,000)	1,550,000	500,000
Capital appreciation bonds	307,618	-	-	307,618	-
Accreted interest	62,536	113,596	-	176,132	-
Series 2010 C Bonds					
Current interest bonds	<u>24,600,000</u>	<u>-</u>	<u>-</u>	<u>24,600,000</u>	<u>-</u>
Total general obligation bonds	<u>37,980,154</u>	<u>113,596</u>	<u>(200,000)</u>	<u>37,893,750</u>	<u>500,000</u>
Certificates of participation	7,000,000	-	-	7,000,000	-
Energy conservation note	299,000	-	(20,000)	279,000	21,000
Lease purchase agreement	331,058	-	(161,472)	169,586	169,586
Compensated absences	<u>1,603,188</u>	<u>131,652</u>	<u>(194,311)</u>	<u>1,540,529</u>	<u>131,652</u>
Total governmental activities long-term liabilities	<u>\$ 47,213,400</u>	<u>\$ 245,248</u>	<u>\$ (575,783)</u>	46,882,865	<u>\$ 822,238</u>
Add: unamortized premiums				<u>993,249</u>	
Total on statement of net assets				<u>\$ 47,876,114</u>	

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

Unspent proceeds: At June 30, 2012, the District had \$44,142,850 of unspent bond proceeds remaining on the Series 2010 A-C bond issue and the Series 2010 COPs issue.

B. Series 2010A Qualified School Construction Bonds - On August 11, 2010, the District issued \$11,260,000 in general obligation Qualified School Construction Bonds (QSCBs) for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

The issue is comprised of current interest term bonds, par value \$11,260,000. The interest rate on the current interest bonds is 5.650%.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The QSCBs mature on November 1, 2025 in the amount of \$11,260,000. Interest payments on the current interest bonds are due on May 1 and November 1 of each year. The District receives a direct payment subsidy from the United States Treasury equal to 100% of the lesser of the interest payments on the bonds or the federal tax credits that would otherwise have been available to the holders of the bonds. The District records this subsidy from the federal government in the debt service fund (a nonmajor governmental fund) to offset interest expenditures on the bonds. The QSCBs are subject to optional redemption and extraordinary optional redemption, at the sole discretion of the District, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date. On November 1 in each year 2011 through 2025, the District is required to make a mandatory deposit into a sinking fund that will provide for payment of the QSCBs upon maturity. The QSCBs are subject to mandatory sinking fund requirements in the following fiscal years and in the following amounts:

Fiscal Year	Amounts Due
2013	\$ 350,000
2014	350,000
2015	350,000
2016	360,000
2017	400,000
2018 - 2022	4,625,000
2023 - 2026	4,475,000
	<u>\$ 10,910,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2010A QSCBs:

Fiscal Year	Current Interest - Series 2010A		
	Principal	Interest	Total
2013	\$ -	\$ 636,190	\$ 636,190
2014	-	636,190	636,190
2015	-	636,190	636,190
2016	-	636,190	636,190
2017	-	636,190	636,190
2018 - 2022	-	3,180,950	3,180,950
2023 - 2026	<u>11,260,000</u>	<u>2,226,665</u>	<u>13,486,665</u>
Total	<u>\$ 11,260,000</u>	<u>\$ 8,588,565</u>	<u>\$ 19,848,565</u>

- C. Series 2010B School Facilities Construction and Improvement Bonds - On August 26, 2010, the District issued \$2,057,618 in general obligation serial bonds, for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The issue is comprised of both current interest serial bonds, par value \$1,750,000, and capital appreciation bonds par value \$307,618. The interest rates on the current interest bonds range from 1.75%-3.14%. The capital appreciation bonds mature on November 1, 2015 (stated interest rate 28.695%), November 1, 2016 (stated interest rate 28.695%) and November 1, 2017 (stated interest rate 28.695%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,565,000. Total accreted interest of \$176,132 for Series 2010B capital appreciation bonds has been included on the statement of net assets at June 30, 2012.

Interest payments on the current interest serial bonds are due on May 1 and November 1 of each year. The final maturity stated in the issue is November 1, 2017.

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2010B Bonds:

Fiscal Year	Current Interest - Series 2010 B			Capital Appreciation - Series 2010 B		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 500,000	\$ 27,188	\$ 527,188	\$ -	\$ -	\$ -
2014	525,000	14,437	539,437	-	-	-
2015	525,000	4,593	529,593	-	-	-
2016	-	-	-	134,616	405,384	540,000
2017	-	-	-	100,097	424,903	525,000
2018	-	-	-	72,905	427,095	500,000
Total	<u>\$ 1,550,000</u>	<u>\$ 46,218</u>	<u>\$ 1,596,218</u>	<u>\$ 307,618</u>	<u>\$ 1,257,382</u>	<u>\$ 1,565,000</u>

- D. Series 2010C Build America Bonds** - On August 26, 2010, the District issued \$24,600,000 in general obligation Build America Bonds (BABs), for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

The issue is comprised of current interest bonds, par value \$24,600,000. The interest rates on the current interest bonds range from 5.30-6.30%. The District receives a direct payment subsidy from the United States Treasury equal to thirty-five percent of the corresponding interest payments due on the BABs. The District records this subsidy from the federal government in the debt service fund (a nonmajor governmental fund) to offset interest expenditures on the bonds.

Interest payments on the current interest bonds are due on May 1 and November 1 of each year. The final maturity stated in the issue is November 1, 2040.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2010C BABs:

Fiscal Year	Current Interest - Series 2010 C		
	Principal	Interest	Total
2013	\$ -	\$ 1,493,422	\$ 1,493,422
2014	-	1,493,422	1,493,422
2015	-	1,493,422	1,493,422
2016	-	1,493,422	1,493,422
2017	-	1,493,422	1,493,422
2018 - 2022	-	7,467,110	7,467,110
2023 - 2027	1,115,000	7,437,569	8,552,569
2028 - 2032	6,575,000	6,244,091	12,819,091
2033 - 2037	8,450,000	3,996,204	12,446,204
2038 - 2041	8,460,000	1,097,145	9,557,145
Total	\$ 24,600,000	\$ 33,709,229	\$ 58,309,229

- E. Series 2010 Certificates of Participation ("COPs")** - On February 15, 2011, the District issued \$7,000,000 in Certificates of Participation ("COPs") for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund). The interest rate on the COPs is 7.00%.

The COPs require the District to make mandatory sinking fund deposits beginning December 1, 2011. The sinking fund deposits will result in a balloon principal payment of \$7,000,000 made on December 1, 2026. Sinking fund deposits will be made on December 1, in the following fiscal years and in the following amounts.

Fiscal Year	Amounts Due
2013	\$ 298,390
2014	305,850
2015	313,497
2016	321,334
2017	450,621
2018 - 2022	2,427,826
2023 - 2027	2,746,864
Total	\$ 6,864,382

Interest payments on the COPs are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2026.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2010 COPs:

Fiscal Year	Series 2010 COPs		
	Principal	Interest	Total
2013	\$ -	\$ 490,000	\$ 490,000
2014	-	490,000	490,000
2015	-	490,000	490,000
2016	-	490,000	490,000
2017	-	490,000	490,000
2018 - 2022	-	2,450,000	2,450,000
2023 - 2027	7,000,000	2,205,000	9,205,000
Total	\$ 7,000,000	\$ 7,105,000	\$ 14,105,000

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

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

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

Fiscal Year Ending June 30,	Energy Conservation Notes		
	Principal	Interest	Total
2013	\$ 21,000	\$ 11,054	\$ 32,054
2014	21,000	10,190	31,190
2015	22,000	9,304	31,304
2016	23,000	8,378	31,378
2017	24,000	7,411	31,411
2018 - 2022	137,000	21,017	158,017
2023	31,000	638	31,638
Total	\$ 279,000	\$ 67,992	\$ 346,992

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Principal and interest requirements to retire the lease-purchase obligation at June 30, 2012 follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Lease-Purchase Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 169,586	\$ 4,547	\$ 174,133

H. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

Revised Code Section 133.06(I) permits school districts to incur net indebtedness in excess of the 9% limitation, without obtaining the consent of the State Superintendent and the Tax Commissioner, when bond proceeds will be used exclusively to fund a school district's Commission-required local effort. Accordingly, the proceeds of the bonds will be used exclusively to fund the District's Commission-required local effort, and, as a result, are not subject to State consents/special needs approval.

NOTE 11 - CONTRACTUAL COMMITMENTS

As of June 30, 2012, the District was obligated for the following contracts:

<u>Contractor</u>	<u>Contract</u> <u>Amount</u>	<u>Payments</u> <u>as of</u> <u>06/30/12</u>	<u>Contract</u> <u>Balance</u> <u>06/30/12</u>
Professional Services	\$ 262,003	\$ (18,657)	\$ 243,346
Stan & Associates	292,521	(163,179)	129,342
Trucco Construction Company, Inc.	4,018,950	(1,959,843)	2,059,107
	\$ 4,573,474	\$ (2,141,679)	\$ 2,431,795

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

The classified personnel accumulate vacation based on the following schedule:

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

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

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement, if the employee has been employed by the District for a minimum of 10 consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of 140 days of all accumulated sick leave credited to that employee, or 35 days pay, plus 1 day's pay for each 6 accrued sick leave days exceeding 140 days, not to exceed a total of 54 days of severance pay for classified employees and 57 days of severance pay for certified employees.

B. Severance Incentive

In fiscal year 2012, the District offered a severance incentive to certified employees, administrators and classified employees. A \$25,000 severance incentive was available to any certified employee or administrator with at least ten years of service with the district as of June 30, 2011. To be eligible, employees had to notified the Board by March 8, 2012. Employees that choose to participate had to voluntarily resign from all contracts with the Board by the end of the 2011-2012 school year. A severance incentive of the lesser of \$20,000, or the employee's earned salary during the 2011-2012 school year was available to classified employees with at least ten years of service with the district as of June 30, 2011. To be eligible employees had to notified the Board by March 8, 2012. Employees that choose to participate must voluntarily resign from all contracts with the Board by the end of the 2011-2012 school year.

All severance incentive payments were made in fiscal year 2012 and there is no further liability for severance incentives at June 30, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

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

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

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$56,719,071.

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

B. Health Care Benefits

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

The District pays 80% of the health care premiums for all full-time employees on the family plan and 92% for full time employees on the single plan. This percentage is pro-rated for part-time employees. The health care coverage is administered by United Healthcare, a third party administrator. The stop-loss coverage is \$150,000 per covered person and an aggregate of \$2,000,000.

C. Workers' Compensation Rating Program

For fiscal year 2012, the District participated in the OASBO/Sheakley UniServe Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniServe provides administrative, cost control and actuarial services to the GRP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$398,269, \$437,304 and \$468,933, respectively; 55.62 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - PENSION PLANS - (Continued)

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

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,424,232, \$1,427,485 and \$1,418,677, respectively; 83.74 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$19,263 made by the District and \$13,760 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, no members of the Board of Education have elected Social Security.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$71,203, \$106,914 and \$80,860, respectively; 55.62 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$23,520, \$28,141 and \$27,886, respectively; 55.62 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$109,556, \$109,807 and \$109,129, respectively; 83.74 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (f) Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).

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

Net Change in Fund Balance	
	<u>General fund</u>
Budget basis	\$ 833,100
Net adjustment for revenue accruals	(1,821,178)
Net adjustment for expenditure accruals	77,845
Net adjustment for other sources/uses	(1,061,934)
Funds budgeted elsewhere	(15,800)
Adjustment for encumbrances	<u>687,566</u>
GAAP basis	<u>\$ (1,300,401)</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the public school support fund and the self-insurance fund.

NOTE 17 - CONTINGENCIES

A. Grants and ADM

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

The 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. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 18 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	376,021
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(510,013)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (133,992)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

During fiscal year 2012, the District issued \$44,917,618 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$44,917,618 at June 30, 2012.

In addition to the above statutory set-aside, the District also has \$22,253 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2012 follows:

Amount restricted for school bus purchases	<u>\$ 22,253</u>
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**CIRCLEVILLE CITY SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 629,389
Classroom facilities	2,965,419
Other governmental	<u>708,792</u>
Total	<u>\$ 4,303,600</u>

SUPPLEMENTARY DATA

**CIRCLEVILLE CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Grant Cluster:</i>				
(D) (E) School Breakfast Program	10.553	2012	\$ 250,053	\$ 250,053
(C) (E) National School Lunch Program - Donations	10.555	2012	48,077	48,077
(D) (E) National School Lunch Program	10.555	2012	521,673	521,673
Total National School Lunch Program			<u>569,750</u>	<u>569,750</u>
(D) (E) Summer Food Program	10.559	2012	5,696	5,696
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>825,499</u>	<u>825,499</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Grant Cluster:</i>				
(F) Title I School Improvement	84.010	2012	48,604	53,303
(F) Title I Grants to Local Educational Agencies	84.010	2011	254,321	153,251
(F) Title I Grants to Local Educational Agencies	84.010	2012	626,781	636,844
Total Title I Grants to Local Educational Agencies			<u>929,706</u>	<u>843,398</u>
(F) ARRA - Title I School Improvement, Recovery Act	84.389	2011	52,188	-
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	11,725	-
Total ARRA_Title I Grants to Local Educational Agencies_Recovery Act			<u>63,913</u>	<u>-</u>
<i>Total Title I Grant Cluster</i>			<u>993,619</u>	<u>843,398</u>
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2011	143,319	103,683
(G) Special Education_Grants to States	84.027	2012	387,044	423,294
Total Special Education Grants to States			<u>530,363</u>	<u>526,977</u>
(G) Special Education_Preschool Grants	84.173	2012	11,134	11,134
(G) ARRA - Special Education_Grants to States, Recovery Act	84.391	2011	121,666	44,278
Total Special Education Grant Cluster			<u>663,163</u>	<u>582,389</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2012	75,000	75,000
Twenty-First Century Community Learning Centers	84.287	2011	112,643	66,460
Twenty-First Century Community Learning Centers	84.287	2012	242,782	235,784
Total Twenty-First Century Community Learning Centers			<u>355,425</u>	<u>302,244</u>

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**CIRCLEVILLE CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Educational Technology State Grants Cluster:</i>				
(H) Educational Technology State Grants	84.318	2012	1,980	4,808
(H) ARRA - Educational Technology State Grants, Recovery Act	84.386	2011	30,255	-
<i>Total Educational Technology State Grants Cluster</i>			32,235	4,808
Improving Teacher Quality State Grants	84.367	2011	11,750	1,696
Improving Teacher Quality State Grants	84.367	2012	107,661	117,253
Total Improving Teacher Quality State Grants			119,411	118,949
ARRA - Teacher Incentive Fund, Recovery Act	84.385A	2011	85,637	8,569
ARRA - Teacher Incentive Fund, Recovery Act	84.385A	2012	32,963	72,936
Total ARRA - Teacher Incentive Fund, Recovery Act			118,600	81,505
Education Jobs Grant	84.410	2011	336,909	62,685
Education Jobs Grant	84.410	2012	13,346	13,346
Total Education Jobs Grant			350,255	76,031
ARRA - Race to the Top Recovery Act	84.395A	2011	2,878	-
ARRA - Race to the Top Recovery Act	84.395A	2012	100,783	113,628
Total Race to the Top Stimulus			103,661	113,628
Total U.S. Department of Education			2,811,369	2,197,952
Total Federal Financial Assistance			\$ 3,636,868	\$ 3,023,451

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

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Child Nutrition Grant Cluster" in determining major programs
- (F) Included as part of "Title I Grant Cluster" in determining major programs
- (G) Included as part of "Special Education Grant Cluster" in determining major programs
- (H) Included as part of "Educational Technology State Grants Cluster" in determining major programs



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

Circleville City School District
388 Clark Drive
Circleville, Ohio 43113

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Circleville City School District, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise Circleville City School District's basic financial statements and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Circleville City School District

Compliance and Other Matters

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

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

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

Julian & Grube, Inc.
November 29, 2012



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Circleville City School District
388 Clark Drive
Circleville, Ohio 43113

To the Board of Education:

Compliance

We have audited the compliance of the Circleville City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Circleville City School District's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the Circleville City School District's major federal programs. The Circleville City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Circleville City School District's compliance based on our audit.

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

In our opinion, the Circleville City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

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

Board of Education
Circleville City School District

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

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

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

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

Julian & Grube, Inc.
November 29, 2012

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Nutrition Grant Cluster: School Breakfast Program - CFDA #10.553; National School Lunch Program - CFDA #10.555; Summer Food Program - CFDA #10.559; Title I Grant Cluster: Title I Grants to Local Educational Agencies - CFDA #84.010; ARRA - Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-CCSD-001	<u>Significant Deficiency - Financial Statement Presentation</u> Misstatements were identified in the financial statements related to intergovernmental revenue and accrued wages.	Yes	N/A
2011-CCSD-002	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. The District had expenditures exceeding appropriations throughout the fiscal year and at fiscal year end.	Yes	N/A
2011-CCSD-003	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. The District had expenditures exceeding appropriations at year end.	Yes	N/A
2011-CCSD-004	<u>Noncompliance Finding - A-133 1512(c)(4)</u> requires the prime recipient must report three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000. The District did not report four vendors as required.	Yes	N/A



Dave Yost • Auditor of State

CIRCLEVILLE CITY SCHOOL DISTRICT

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 7, 2013