

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

Single Audit

For the Fiscal Year Ended June 30, 2012







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Reynoldsburg City School District, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 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 Reynoldsburg City School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

May 8, 2013

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**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2.C, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, Ohio, as of June 30, 2012, and the respective changes in modified cash financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2.C describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets and changes in net assets. The Federal Awards Receipts and Expenditures Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in cursive script that reads "Kennedy Cottrell Richards LLC".

Kennedy Cottrell Richards LLC  
March 15, 2013

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

This discussion and analysis of the Reynoldsburg City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year are as follows:

- Net Assets of the District decreased by approximately \$24.7 million, or 42.89%, in comparison with the prior fiscal year. The funds most affected by the decrease in cash and cash equivalents were the Building Fund and Classroom Facilities Fund related to building construction.
- The District's general receipts are primarily property taxes and unrestricted grants and entitlements. These receipts represent respectively 35.1% and 34.1% of the total cash received for Governmental activities during the year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was approximately \$8.5 million.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the modified cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the District-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on the modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid, with the exception of investment purchases and sales

As a result of using the modified cash basis of accounting, certain noncash assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during the fiscal year, within the limitations of the modified cash basis accounting. The statement of net assets presents the cash balances and investments of the Governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each Governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, all of the District's activities are classified as Governmental. The Governmental activities of the District include instruction, support services, extracurricular activities, food service, facilities acquisition and construction, and other non-instructional services. State and federal grants and income and property taxes finance most of these activities. Benefits provided through Governmental activities are not necessarily paid for by the people receiving them.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major Governmental funds are the General Fund, Debt Service Fund, Building Fund, and Classroom Facilities Fund. The programs reported in Governmental funds are closely related to those reported in the Governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the Governmental fund financial statements.

Proprietary Funds – When the District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The District has no enterprise funds. When the services are provided to other departments of the District, the service is reported as an internal service fund. The District has one internal service fund to account for self-insurance activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the District-wide financial statements because the resources of these funds are not available to support the District's programs.

**District-wide Financial Analysis**

The table below provides a summary of the District's net assets for 2012 and 2011 on the modified cash basis.

	2012	2011	Change
<b>Assets</b>			
Cash and Investments	\$ 32,950,666	\$ 57,692,415	-42.89%
Total Assets	<u>32,950,666</u>	<u>57,692,415</u>	-42.89%
<b>Net Assets</b>			
Restricted	20,889,389	52,088,935	-59.90%
Unrestricted	12,061,277	5,603,480	115.25%
Total Net Assets	<u>\$ 32,950,666</u>	<u>\$ 57,692,415</u>	-42.89%

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
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The significant decrease in cash and investments and restricted net assets is primarily the result of the District's school building construction and renovation project through the Ohio School Facilities Commission (OSFC).

The table below shows the change in net assets on the modified cash basis for fiscal years 2012 and 2011.

	<u>2012</u>	<u>2011</u>	<u>Percent Change</u>
<b>Program Receipts</b>			
Charges for Services and Sales	\$ 2,612,823	\$ 2,448,717	6.70%
Operating Grants and Contributions	6,243,102	7,932,918	-21.30%
<b>General Receipts</b>			
Property Taxes	30,281,084	28,783,206	5.20%
Income Taxes	4,534,767	4,163,559	8.92%
Payment in Lieu of Taxes	1,453,398	1,269,124	14.52%
Grants and Entitlements	29,440,804	29,284,581	0.53%
Restricted Grants and Entitlements for OSFC	1,004,859	12,274,871	-91.81%
Sale of bonds and related premium	9,305,018	-	100.00%
Investment Earnings	147,677	254,916	-42.07%
Miscellaneous	1,347,499	677,150	99.00%
Total Receipts	<u>86,371,031</u>	<u>87,089,042</u>	-0.82%
<b>Program Disbursements</b>			
Instructional	35,176,948	35,818,842	-1.79%
Support Services	22,450,942	21,520,812	4.32%
Non-instructional	2,983,765	2,652,002	12.51%
Extra Curricular Activities	858,975	998,484	-13.97%
Facilities Acquisition and Construction	31,571,755	41,774,243	-24.42%
Debt Service			
Principal	3,705,000	3,630,000	2.07%
Interest and Fiscal Charges	5,053,102	5,208,584	-2.99%
Bond Issuance Costs	91,300	-	100.00%
SWAP Termination Payment	1,063,718	-	100.00%
Payment to Refunded Bonds Escrow	8,157,275	-	100.00%
Total Disbursements	<u>111,112,780</u>	<u>111,602,967</u>	-0.44%
Change in Net Assets	<u>(24,741,749)</u>	<u>(24,513,925)</u>	
Net Assets at Beginning of Year	<u>57,692,415</u>	<u>82,206,340</u>	
Net Assets at End of Year	<u>\$ 32,950,666</u>	<u>\$ 57,692,415</u>	

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The significant increase in Charges for Services and Sales is primarily the result of the collections of outstanding fees for services the District performed for its related community schools.

The significant decrease in Operating Grants and Contributions is primarily related to the phase-out of federal stimulus funds.

The significant decrease in Restricted Grants and Entitlements for OSFC receipts is the result of the District exhausting grant resources related to the OSFC Project. The Classroom Facilities Assistance Program through OSFC requires the state share of the project be expended first, followed by the District's local share of the project.

The significant decrease in Facilities Acquisition and Construction disbursements is the result of the District's OSFC Project coming closer to an end.

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

	<u>Total Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2012</u>	<u>Net Cost of Services 2011</u>
Program expenses				
Instructional	35,176,948	\$ 35,818,842	\$ 30,706,561	\$ 30,451,546
Support Services	22,450,942	21,520,812	21,529,246	20,078,168
Non-instructional	2,983,765	2,652,002	144,750	(83,288)
Extra Curricular Activities	858,975	998,484	234,148	162,079
Facilities Acquisition and Construction	31,571,755	41,774,243	31,571,755	41,774,243
Debt Service				
Principal	3,705,000	3,630,000	3,705,000	3,630,000
Interest and Fiscal Charges	5,053,102	5,208,584	5,053,102	5,208,584
Bond Issuance Costs	91,300	-	91,300	-
SWAP Termination Payment	1,063,718	-	1,063,718	-
Payment to Refunded Bonds Escrow	8,157,275	-	8,157,275	-
Total	<u>\$ 111,112,780</u>	<u>\$ 111,602,967</u>	<u>\$ 102,256,855</u>	<u>\$ 101,221,332</u>

The dependence upon tax and other general revenues is apparent, as 87.3 percent of instructional activities are supported through taxes and other general revenues. For all Governmental activities, general revenue support is 92 percent. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District's students.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**The District's Funds**

The District's Governmental funds reported a combined fund balance of approximately \$30.2 million.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase/ (Decrease)
Major Funds:			
General	\$ 9,426,452	\$ 4,890,959	\$ 4,535,493
Debt Service	3,685,749	3,184,043	501,706
Building	6,392,150	17,328,111	(10,935,961)
Classroom Facilities	7,582,363	27,530,153	(19,947,790)
Other Governmental Funds	3,117,112	3,990,157	(873,045)
<b>Total</b>	<b>\$ 30,203,826</b>	<b>\$ 56,923,423</b>	<b>\$ (26,719,597)</b>

**General Fund**

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

	2012	2011	Percentage Change
<u>Receipts:</u>			
Taxes	\$ 25,817,307	\$ 23,302,185	10.79%
Payment in Lieu of Taxes	1,430,919	1,269,124	12.75%
Charges for Services	917,352	389,755	135.37%
Tuition and Fees	651,873	692,226	-5.83%
Earnings on Investments	33,666	34,922	-3.60%
Intergovernmental	28,217,290	28,037,742	0.64%
Extracurricular	53,828	70,913	-24.09%
Other	634,557	268,340	136.47%
Total Receipts	<u>57,756,792</u>	<u>54,065,207</u>	6.83%
<u>Disbursements:</u>			
Instruction	31,791,997	30,959,271	2.69%
Support Services	21,050,569	19,503,540	7.93%
Other Non-Instructional Services	3,597	13,822	-73.98%
Extracurricular Activities	273,559	241,530	13.26%
Total Disbursements	<u>53,119,722</u>	<u>50,718,163</u>	4.74%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>4,637,070</u>	<u>3,347,044</u>	38.54%
<u>Other Financing Sources (Uses):</u>			
Sale of Capital Assets	31,307	9,242	238.75%
Insurance Proceeds	34,006	-	100.00%
Transfer In/Out	(97,890)	(22,917)	327.15%
Advance In/Out	(69,000)	(172,510)	-60.00%
Net Change in Fund Balance	<u>\$ 4,535,493</u>	<u>\$ 3,160,859</u>	43.49%

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

The significant increase in taxes is the result of the District passing a 6.9 mill incremental operating levy in May 2010. The levy will increase by 1 mill each year until it reaches 9.9 mills.

***Debt Service Fund***

During the fiscal year, the District's debt service fund balance increased by \$501,706. The table that follows assists in illustrating the financial activities of the debt service fund.

	2012	2011	Percentage Change
<u>Receipts</u>			
Taxes	\$ 8,244,383	\$ 8,395,095	-1.80%
Payment in Lieu of Taxes	20,378	-	100.00%
Intergovernmental	1,116,681	1,135,071	-1.62%
Other	22,193	-	100.00%
Total Receipts	<u>9,403,635</u>	<u>9,530,166</u>	-1.33%
<u>Disbursements:</u>			
Fiscal	136,552	114,445	19.32%
Debt Service:			
Principal Retirement	3,705,000	3,630,000	2.07%
Interest and Fiscal Charges	5,053,102	5,208,584	-2.99%
Bond Issuance Costs	91,300	-	100.00%
SWAP Termination Payment	1,063,718	-	100.00%
Total Disbursements	<u>10,049,672</u>	<u>8,953,029</u>	12.25%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(646,037)</u>	<u>577,137</u>	-211.94%
<u>Other Financing Sources (Uses):</u>			
Sale of Bonds	8,150,000	-	100.00%
Premium on Sale of Bonds	1,155,018	-	100.00%
Payment to Refunded Bonds Escrow	(8,157,275)	-	100.00%
Net Change in Fund Balance	<u>\$ 501,706</u>	<u>\$ 577,137</u>	-13.07%

This increase in fund balance represents the amount in which property tax and related receipts outstripped debt service disbursements during the fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

***Building Fund***

During the fiscal year, the District's building fund balance decreased approximately \$10.9 million. The table that follows assists in illustrating the financial activities of the building fund:

	2012	2011	Percentage Change
<u>Receipts:</u>			
Earnings on Investments	\$ 54,395	\$ 85,157	-36.12%
Other Local Revenues	91,744	10,136	805.13%
Total Receipts	<u>146,139</u>	<u>95,293</u>	53.36%
<u>Disbursements:</u>			
Regular Instruction	524,006	-	100.00%
Pupils	3,193	-	100.00%
Instructional Staff	16,530	-	100.00%
Fiscal	17,368	26,623	-34.76%
Business	66,025	47,968	37.64%
Facilities Acquisition and Construction	10,454,978	6,402,663	63.29%
Total Disbursements	<u>11,082,100</u>	<u>6,477,254</u>	71.09%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(10,935,961)</u>	<u>(6,381,961)</u>	71.36%
Net Change in Fund Balance	<u>\$ (10,935,961)</u>	<u>\$ (6,381,961)</u>	71.36%

The significant decrease in fund balance represents the amount in which expenditures for construction exceeded earnings on investments during the fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***Classroom Facilities Fund***

During the fiscal year, the District's classroom facilities fund balance decreased approximately \$19.9 million. The table that follows assists in illustrating the financial activities of the classroom facilities fund:

	2012 Amount	2011 Amount	Percentage Change
<u>Receipts:</u>			
Earnings on Investments	\$ 59,616	\$ 134,004	-55.51%
Other Local	70,987	2,127	3237.42%
Intergovernmental - State	1,004,859	12,274,871	-91.81%
Total Receipts	<u>1,135,462</u>	<u>12,411,002</u>	-90.85%
<u>Disbursements:</u>			
Fiscal	16,428	35,740	-54.03%
Facilities Acquisition and Construction	21,066,824	35,324,085	-40.36%
Total Disbursements	<u>21,083,252</u>	<u>35,359,825</u>	-40.38%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(19,947,790)</u>	<u>(22,948,823)</u>	-13.08%
<u>Other Financing Sources:</u>			
Insurance Proceeds	-	249,588	-100.00%
Total Other Financing Sources	<u>-</u>	<u>249,588</u>	-100.00%
Net Change in Fund Balance	<u>\$ (19,947,790)</u>	<u>\$ (22,699,235)</u>	-12.12%

This significant decrease in fund balance represents the amount in which construction disbursements exceeded OSFC grant receipts during the fiscal year.

**General Fund Budgetary Highlights**

Original and final budgeted receipts and other financing sources were approximately \$58 million. The variance between final budgeted receipts and other financing sources and actual receipts and other financing sources was insignificant.

Original appropriations (appropriated expenditures plus other financing uses) of approximately \$56.4 million were decreased to approximately \$55.1 million in the final budget. The actual budget basis expenditures and other financing uses totaled approximately \$53.9 million, which was approximately \$1.2 million less than the final budget appropriations.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Debt**

At the end of the fiscal year, the District had total long-term debt outstanding of approximately \$108 million, a decrease of approximately \$3.3 million in comparison with the prior fiscal year. This decrease is the result of current year principal payments of \$11.9 million, offset by current year additions of approximately \$8.2 million and accretion and amortization of \$437,635.

More detailed information can be found in Notes 10 to the basic financial statements.

**Component Units**

The District's financial statements also contain four cash-basis component units. More detailed information regarding component units can be found in the notes to the basic financial statements.

**Contacting the District's Financial Management**

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

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**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
AS OF JUNE 30, 2012

	Primary Government	Component Units	
	Governmental Activities	Virtual Community School	Everest High School
<b>Assets</b>			
Cash and Cash Equivalents	\$ 24,107,404	\$ 307,563	\$ 413,977
Investments	8,843,262	-	-
Total Assets	<u>32,950,666</u>	<u>307,563</u>	<u>413,977</u>
<b>Net Assets</b>			
Fund Balances:			
Restricted for:			
Library Support Endowment	25,000	-	-
Debt Service	3,685,749	-	-
Capital Projects	15,343,665	-	-
Food Service	100,503	-	-
Locally Funded Programs	188,716	5,015	-
District Managed Student Activities	87,105	-	-
State Funded Programs	89,071	27	-
Federally Funded Programs	2,018	50,346	55,644
Classroom Facilities Maintenance	1,367,562	-	-
Other Purposes	-	-	4,875
Unrestricted	12,061,277	252,175	353,458
Total Net Assets	<u>\$ 32,950,666</u>	<u>\$ 307,563</u>	<u>\$ 413,977</u>

See accompanying notes to the basic financial statements.

Component Units

A+ Arts Academy	Patriot Preparatory Academy
\$ 273,748	\$ 772,627
-	-
<u>273,748</u>	<u>772,627</u>
-	-
-	-
-	-
1,783	-
-	-
-	-
-	-
29,125	94,331
-	-
-	-
242,840	678,296
<u>\$ 273,748</u>	<u>\$ 772,627</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Program Receipts			Primary Government
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 27,126,567	\$ 537,432	\$ 1,240,724	\$ (25,348,411)
Special	7,505,924	170,134	2,447,385	(4,888,405)
Vocational	133,981	2,799	15,869	(115,313)
Adult/Continuing	47,797	48,278	-	481
Other	362,679	7,766	-	(354,913)
Support services:				
Pupils	2,894,254	-	100,888	(2,793,366)
Instructional Staff	2,810,577	70,149	342,397	(2,398,031)
Board of Education	19,433	-	-	(19,433)
Administration	5,526,740	46,787	3,245	(5,476,708)
Fiscal	1,166,886	98,061	-	(1,068,825)
Business	345,731	-	-	(345,731)
Operations and Maintenance	6,226,434	-	110,174	(6,116,260)
Pupil Transportation	2,804,549	-	2,365	(2,802,184)
Central	656,338	-	147,630	(508,708)
Operation of Non-Instructional Services:				
Food service Operations	2,631,808	1,041,638	1,394,889	(195,281)
Other Non-Operational Services	351,957	-	402,488	50,531
Extracurricular activities	858,975	589,779	35,048	(234,148)
Facilities Acquisition and Construction	31,571,755	-	-	(31,571,755)
Debt Service				
Principal	3,705,000	-	-	(3,705,000)
Interest and Fiscal Charges	5,053,102	-	-	(5,053,102)
Bond Issuance Costs	91,300	-	-	(91,300)
SWAP Termination Payment	1,063,718	-	-	(1,063,718)
Payment to Refunded Bonds Escrow	8,157,275	-	-	(8,157,275)
<b>Total Governmental Activities</b>	<b>111,112,780</b>	<b>2,612,823</b>	<b>6,243,102</b>	<b>(102,256,855)</b>
<b>Component Units</b>				
Virtual Community School of Ohio	12,219,658	509,183	11,634,837	-
Everest High School	729,928	19,239	971,104	-
A+ Arts Academy	2,572,507	73,109	2,542,478	-
Patriot Preparatory Academy	3,946,548	163,683	4,065,805	-
<b>Total Component Units</b>	<b>\$ 19,468,641</b>	<b>\$ 765,214</b>	<b>\$ 19,214,224</b>	<b>-</b>

General Receipts	
Property Taxes Levied for:	
General Purposes	21,282,540
Debt Service	8,244,383
Capital Projects	368,477
Special Revenue	385,684
Income Taxes	4,534,767
Payment in Lieu of Taxes	1,453,398
Unrestricted Grants and Entitlements	29,440,804
Grants & Entitlements Restricted for	
Ohio School Facilities Commission	1,004,859
Sale of Bonds and Related Premium	9,305,018
Investment Earnings	147,677
Miscellaneous	1,347,499
<b>Total General Receipts</b>	<b>77,515,106</b>
<b>Change in Net Assets</b>	<b>(24,741,749)</b>
<b>Net Assets Beginning of Year, Restated</b>	<b>57,692,415</b>
<b>Net Assets End of Year</b>	<b>\$ 32,950,666</b>

See accompanying notes to the basic financial statements.



**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

BALANCE SHEET- MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2012

	General Fund	Debt Service Fund	Building Fund	Classroom Facilities Fund
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 9,426,452	\$ 3,685,749	\$ 2,445,731	\$ 2,710,520
Investments	-	-	3,946,419	4,871,843
Total Assets	<u>\$ 9,426,452</u>	<u>\$ 3,685,749</u>	<u>\$ 6,392,150</u>	<u>\$ 7,582,363</u>
<b>Fund Balances:</b>				
Restricted for:				
Library Support Endowment	-	-	-	-
Debt Service	-	3,685,749	-	-
Capital Projects	-	-	6,392,150	7,582,363
Food Service	-	-	-	-
Locally Funded Programs	13,260	-	-	-
District Managed Student Activities	-	-	-	-
State Funded Programs	-	-	-	-
Federally Funded Programs	-	-	-	-
Classroom Facilities Maintenance	-	-	-	-
Assigned for:				
Public School Support	140,728	-	-	-
Encumbrances	798,832	-	-	-
Capital Projects	-	-	-	-
Unassigned	8,473,632	-	-	-
Total Fund Balances	<u>\$ 9,426,452</u>	<u>\$ 3,685,749</u>	<u>\$ 6,392,150</u>	<u>\$ 7,582,363</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 3,092,112	\$ 21,360,564
25,000	8,843,262
<u>\$ 3,117,112</u>	<u>\$ 30,203,826</u>
25,000	25,000
-	3,685,749
1,369,152	15,343,665
100,503	100,503
175,456	188,716
87,105	87,105
89,071	89,071
3,152	3,152
1,367,562	1,367,562
-	140,728
-	798,832
84,683	84,683
(184,572)	8,289,060
<u>\$ 3,117,112</u>	<u>\$ 30,203,826</u>

See accompanying notes to the basic financial statements.

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**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS  
JUNE 30, 2012

<b>Total Governmental Fund Balances</b>	\$ 30,203,826
Internal service funds are used by management to charge the cost of insurance to individual funds. The assets of the internal service funds are included in governmental activities on the statement of net assets	<u>2,746,840</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 32,950,666</u></u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Debt Service Fund	Building Fund	Classroom Facilities Fund
<b>Receipts:</b>				
From local sources:				
Property Taxes	\$ 21,282,540	\$ 8,244,383	\$ -	\$ -
Income Taxes	4,534,767	-	-	-
Tuition and Fees	651,873	-	-	-
Charges for Services	917,352	-	-	-
Earnings on Investments	33,666	-	54,395	59,616
Extracurricular	53,828	-	-	-
Payments in Lieu of Taxes	1,430,919	20,378	-	-
Other Local Revenues	634,557	22,193	91,744	70,987
Intergovernmental- State	27,931,939	1,116,681	-	1,004,859
Intergovernmental- Federal	285,351	-	-	-
Total Receipts	<u>57,756,792</u>	<u>9,403,635</u>	<u>146,139</u>	<u>1,135,462</u>
<b>Disbursements:</b>				
Instruction:				
Regular	26,036,407	-	524,006	-
Special	5,194,508	-	-	-
Vocational	135,723	-	-	-
Adult/continuing	48,778	-	-	-
Other	376,581	-	-	-
Support services:				
Pupils	2,841,431	-	3,193	-
Instructional Staff	2,462,317	-	16,530	-
Board of Education	19,433	-	-	-
Administration	5,705,143	-	-	-
Fiscal	1,002,725	136,552	17,368	16,428
Business	260,752	-	66,025	-
Operations and Maintenance	5,324,997	-	-	-
Pupil Transportation	2,813,752	-	-	-
Central	620,019	-	-	-
Operation of Non-Instructional Services:				
Food Service Operations	-	-	-	-
Other Non-Operational Services	3,597	-	-	-
Extracurricular Activities	273,559	-	-	-
Facilities Acquisition and Construction	-	-	10,454,978	21,066,824
Debt Service:				
Principal Retirement	-	3,705,000	-	-
Interest and Fiscal Charges	-	5,053,102	-	-
Bond Issuance Costs	-	91,300	-	-
SWAP Termination Payment	-	1,063,718	-	-
Total Disbursements	<u>53,119,722</u>	<u>10,049,672</u>	<u>11,082,100</u>	<u>21,083,252</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>4,637,070</u>	<u>(646,037)</u>	<u>(10,935,961)</u>	<u>(19,947,790)</u>
<b>Other financing sources (uses):</b>				
Sale of Capital Assets	31,307	-	-	-
Sale of Bonds	-	8,150,000	-	-
Premium on Sale of Bonds	-	1,155,018	-	-
Insurance Proceeds	34,006	-	-	-
Payment to Refunded Bonds Escrow	-	(8,157,275)	-	-
Transfers In	-	-	-	-
Transfers Out	(97,890)	-	-	-
Advances In	158,500	-	-	-
Advances Out	(227,500)	-	-	-
Total Other Financing Sources (Uses)	<u>(101,577)</u>	<u>1,147,743</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,535,493	501,706	(10,935,961)	(19,947,790)
Fund Balance Beginning of Year	4,890,959	3,184,043	17,328,111	27,530,153
Fund Balance End of Year	<u>\$ 9,426,452</u>	<u>\$ 3,685,749</u>	<u>\$ 6,392,150</u>	<u>\$ 7,582,363</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 754,161	\$ 30,281,084
-	4,534,767
-	651,873
1,041,638	1,958,990
-	147,677
542,815	596,643
2,101	1,453,398
74,149	893,630
769,157	30,822,636
<u>5,374,651</u>	<u>5,660,002</u>
<u>8,558,672</u>	<u>77,000,700</u>
1,428,814	27,989,227
2,571,871	7,766,379
-	135,723
-	48,778
-	376,581
124,221	2,968,845
493,892	2,972,739
-	19,433
16,546	5,721,689
12,462	1,185,535
33,598	360,375
1,007,955	6,332,952
131,092	2,944,844
41,239	661,258
2,732,766	2,732,766
361,563	365,160
592,635	866,194
49,953	31,571,755
-	3,705,000
-	5,053,102
-	91,300
-	1,063,718
<u>9,598,607</u>	<u>104,933,353</u>
<u>(1,039,935)</u>	<u>(27,932,653)</u>
-	31,307
-	8,150,000
-	1,155,018
-	34,006
-	(8,157,275)
97,890	97,890
-	(97,890)
227,500	386,000
<u>(158,500)</u>	<u>(386,000)</u>
<u>166,890</u>	<u>1,213,056</u>
(873,045)	(26,719,597)
3,990,157	56,923,423
<u>\$ 3,117,112</u>	<u>\$ 30,203,826</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -  
MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Net Change in Fund Balances - Total Governmental Funds** \$ (26,719,597)

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

Internal service fund for self-insurance is not reported in the statement of activities. Disbursements and related internal service fund receipts are eliminated. The net receipt/(disbursement) of the internal service funds are allocated among the governmental activities 1,977,848

**Change in Net Assets of Governmental Activities** \$ (24,741,749)

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
From local sources:				
Property Taxes	\$ 21,362,311	\$ 21,362,311	\$ 21,282,540	\$ (79,771)
Income Taxes	4,551,764	4,551,764	4,534,767	(16,997)
Tuition and Fees	689,967	697,967	651,873	(46,094)
Charges for Services	695,341	695,341	692,744	(2,597)
Earnings on Investments	33,792	33,792	33,666	(126)
Extracurricular	14,747	14,747	6,864	(7,883)
Payments in Lieu of Taxes	1,436,282	1,436,282	1,430,919	(5,363)
Other Local Revenues	523,871	523,871	511,612	(12,259)
Intergovernmental- State	28,036,634	28,036,634	27,931,939	(104,695)
Intergovernmental- Federal	286,421	286,421	285,351	(1,070)
<b>Total Receipts</b>	<b>57,631,130</b>	<b>57,639,130</b>	<b>57,362,275</b>	<b>(276,855)</b>
Disbursements:				
Instruction:				
Regular	27,488,880	26,882,880	26,233,521	649,359
Special	5,399,579	5,280,367	5,160,655	119,712
Vocational	142,415	139,198	141,346	(2,148)
Adult/continuing	600	600	500	100
Other	395,148	386,223	376,581	9,642
Support services:				
Pupils	2,983,982	2,916,642	2,849,171	67,471
Instructional Staff	2,542,937	2,488,694	2,408,630	80,064
Board of Education	20,615	20,156	19,433	723
Administration	6,014,300	5,880,206	5,774,232	105,974
Fiscal	1,055,510	1,031,747	1,015,763	15,984
Business	274,160	267,981	289,181	(21,200)
Operations and Maintenance	5,913,486	5,787,307	5,624,748	162,559
Pupil Transportation	2,959,218	2,892,533	2,871,263	21,270
Central	547,905	535,650	536,827	(1,177)
Operation of Non-Instructional Services:				
Other Non-Operational Services	2,296	2,244	3,597	(1,353)
Extracurricular Activities	239,458	234,481	227,253	7,228
<b>Total Disbursements</b>	<b>55,980,489</b>	<b>54,746,909</b>	<b>53,532,701</b>	<b>1,214,208</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>1,650,641</b>	<b>2,892,221</b>	<b>3,829,574</b>	<b>937,353</b>
Other Financing Sources (Uses):				
Sale of Capital Assets	31,424	31,424	31,307	(117)
Insurance Proceeds	31,424	31,424	34,006	2,582
Transfers Out	(113,613)	(105,624)	(97,890)	7,734
Advances In	159,094	159,094	158,500	(594)
Advances Out	(238,717)	(233,325)	(227,500)	5,825
<b>Total Other Financing Sources (Uses)</b>	<b>(130,388)</b>	<b>(117,007)</b>	<b>(101,577)</b>	<b>15,430</b>
<b>Net Change in Fund Balance</b>	<b>1,520,253</b>	<b>2,775,214</b>	<b>3,727,997</b>	<b>952,783</b>
Fund Balances at Beginning of Year	4,187,075	4,187,075	4,187,075	-
Prior Year Encumbrances Appropriated	568,280	568,280	568,280	-
<b>Fund Balances at End of Year</b>	<b>\$ 6,275,608</b>	<b>\$ 7,530,569</b>	<b>\$ 8,483,352</b>	<b>\$ 952,783</b>

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2012

	Governmental Activities - Internal Service Fund
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 2,746,840
Total Assets	<u>2,746,840</u>
<b>Net Assets:</b>	
Unrestricted	2,746,840
Total Net Assets	<u><u>\$ 2,746,840</u></u>

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Fund
<b>Operating Receipts:</b>	
Charges for Services	\$ 8,174,369
Total Operating Receipts	8,174,369
<b>Operating Disbursements:</b>	
Purchased Services	635,734
Claims	5,560,787
Total Operating Disbursements	6,196,521
Change in Net Assets and Operating Income	1,977,848
Net Assets Beginning of Year	768,992
Net Assets End of Year	\$ 2,746,840

See accompanying notes to the basic financial statements

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**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2012

	Private-Purpose Trust Scholarship	Agency Fund
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 104,966	\$ 47,945
Total Assets	104,966	47,945
<b>Net Assets:</b>		
Held in Trust for Scholarships	104,966	-
Held for Students Activity	-	47,945
Total Net Assets	\$ 104,966	\$ 47,945

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR FISCAL YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust
	Scholarship
<b>Additions:</b>	
Gifts and Contributions	\$ 16,570
Earnings on Investments	105
Total Additions	16,675
<b>Deductions:</b>	
Scholarships Awarded	21,316
Total Deductions	21,316
Change in Net Assets	(4,641)
<b>Net Assets at Beginning of Year</b>	109,607
<b>Net Assets at End of Year</b>	<b>\$ 104,966</b>

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

The District employs 199 non-certified and 399 certified employees to provide services to approximately 6,000 students and community groups. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the District 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.

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District.

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 four component units. The basic financial statements of the reporting entity include those of the District (the primary government), Virtual Community School of Ohio (component unit), Everest High School, which is formerly known as Reynoldsburg Conversion Community School, (component unit), A+ Arts Academy (component unit), and Patriot Preparatory Academy, (component unit).

A+ Arts Academy and Patriot Preparatory Academy were excluded from the District’s fiscal year 2011 basic financial statements due to reporting on the accrual-basis of accounting, as opposed to the modified cash-basis used by the District. A+ Arts Academy and Patriot Preparatory Academy have been included in the District’s fiscal year 2012 basic financial statements as result of changing their reporting to the modified cash basis, which is consistent with the District.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT (CONTINUED)**

*DISCRETELY PRESENTED COMPONENT UNITS*

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

Virtual Community School of Ohio

The Virtual Community School of Ohio (the “VCS”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The VCS is a conversion school that addresses the needs of students who desire a program of online instruction in an independent environment that does not include the most ancillary components of a more traditional education. The VCS is governed by a Board of Trustees. The VCS Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the VCS, the VCS’s purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Trustees of the VCS, the VCS is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the VCS at 4480 Refugee Road, Columbus, Ohio 43232.

Everest High School

Everest High School, formerly known as Reynoldsburg Conversion Community School, (the “EHS”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. EHS is designed as a high school dropout prevention/recovery program. EHS’s Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to EHS, EHS’s purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of EHS, EHS is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of EHS at 7244 E. Main Street, Reynoldsburg, Ohio 43068-3585.

A+ Arts Academy

The A+ Arts Academy (the “Academy”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is a conversion school that offers an opportunity for students that show a strong interest or talent in the visual arts. The Academy’s Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the Academy, the Academy’s purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of the Academy, the Academy is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 7244 E. Main Street, Reynoldsburg, Ohio 43068-3585.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT (CONTINUED)**

Patriot Preparatory Academy

The Patriot Preparatory Academy (the “PPA”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. PPA is a conversion school that offers an orderly and supportive environment whereby students experience preparations for college, career and life. PPA’s Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to PPA, PPA’s purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of PPA, PPA is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of PPA at 9946 Huntersrun Lane, Cincinnati, Ohio 45242.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the cash-basis component units can be found in Notes 17, 18, 19 and 20, respectively.

*JOINTLY GOVERNED ORGANIZATION*

Tri-Rivers Educational Computer Association

The District is a member of the Tri-Rivers Educational Computer Association (TRECA). TRECA is a consortium of over 30 Ohio School Districts located primarily in Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot counties that provides software, hardware, staff development, and technology integration support for member schools. As one of 20+ ITC-sites around the state, TRECA is a member of the Ohio Education Computer Network (OECN) which provides fiscal, support, and student services statewide to Ohio's school districts. Beyond these core services, TRECA also provides additional services to member schools and contracted institutions. Financial information can be obtained from the offices of the Treasurer at 100 Executive Drive, Marion, Ohio, 43302.

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers’ Compensation Group Rating Plan

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund(s) is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

The statement of net assets presents the modified cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the District's general receipts.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major governmental funds are the General Fund, Debt Service Fund, Building Fund, and Classroom Facilities Fund.

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

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

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Proprietary Funds

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

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

Fiduciary Funds

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

C. Basis of Accounting

The District's financial statements are prepared using the modified cash basis of accounting. With the exception of investment purchases and sales, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the modified cash basis of accounting, certain noncash assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as “Cash and Cash Equivalents”.

Investments of the District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the fiscal year, the District invested in a certificate of deposit, repurchase agreements, federal agency securities, and a money market fund. Investments are reported at cost, except for the money market fund. The District’s money market fund investment is recorded at the amount reported by USBank.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during the fiscal year was \$33,666, which included \$19,020 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had no restricted assets at fiscal year-end.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither a other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the District's net assets at fiscal year-end were the result of enabling legislation.

The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

N. Fund Balance

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories may be used:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints 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 for the specified 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 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 as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 disbursements are incurred for purposes for which both 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

O. Interfund Transactions

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

P. 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 management and are either unusual in nature or infrequent in occurrence. The District did not have either type of transaction during the fiscal year.

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

Fund balances at fiscal year-end included the following individual fund deficits:

<u>Nonmajor government fund</u>	<u>Deficit Amount</u>
Education Jobs	\$ (28,709)
Race to the Top	(74,230)
Title VI IDEA-B	(18,136)
Title II-D Technology	(1,900)
Limited English Proficiency	(919)
Title I	(57,464)
Title II-A Improving Teacher Quality	(2,080)

B. Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit certain assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (modified cash basis).

The encumbrances outstanding at year-end (budgetary basis) amount to \$802,372.

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Public School Support Fund and Alternative School Fund, no longer meets the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, this fund is presented as part of the District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria. The difference between the budgetary basis and the modified cash basis is \$5,124 for the change in fund balance for the reclassified funds above.

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

A. Deposits with Financial Institutions

At fiscal year-end, the carrying amount of the District’s deposits, including a \$25,000 certificate of deposit, was \$3,594,332, and the bank balance was \$3,896,983. Of the District’s bank balance, \$2,325,461 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was collateralized in the manner described below.

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

B. Investments

At fiscal year-end, the District had the following investments and maturities:

Investment Type	Fair Value	Percent of Total	Investment Maturities		
			less than one year	1 to 2 years	2 to 3 years
Repurchase Agreements	\$ 17,192,626	58.26%	\$ 17,192,626	\$ -	\$ -
Money Market Fund	1,481	0.01%	1,481	-	-
U.S. Treasuries	1,489,968	5.05%	1,489,968	-	-
Federal Agency Securities	10,825,170	36.68%	6,904,925	1,849,988	2,070,257
Total	<u>\$ 29,509,245</u>	<u>100%</u>	<u>\$ 25,589,000</u>	<u>\$ 1,849,988</u>	<u>\$ 2,070,257</u>

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

*Credit Risk:* The District’s investments in U.S. Treasuries and Federal Agency Securities were rated AAA by Standard & Poor’s. The District’s investments in repurchase agreements and money market fund were unrated.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

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

The following is a reconciliation of deposits and investments as reported in the note above to cash and investments as reported on the statement of net assets at fiscal year-end:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,594,332
Investments	<u>29,509,245</u>
Total	<u><u>\$ 33,103,577</u></u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 32,950,666
Private-purpose trust funds	104,966
Agency fund	<u>47,945</u>
Total	<u><u>\$ 33,103,577</u></u>

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 6 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 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 tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

The District receives property taxes from Franklin, Licking and Fairfield Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. 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.

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

	<u>2011 Second Half Collections</u>		<u>2012 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and other real estate	\$ 754,327,740	97.96%	\$ 665,158,070	97.53%
Public Utility Personal	15,701,930	2.03%	16,827,130	2.46%
Tangible Personal Property	20,110	0.00%	-	0.00%
Total	<u>\$ 770,049,780</u>	<u>100.00%</u>	<u>\$ 681,985,200</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 71.55		\$ 71.80	

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**NOTE 7 – INCOME TAXES**

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State of Ohio makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. The District’s income tax receipts are credited to the general fund.

**NOTE 8 – INTERFUND RECEIVABLES/PAYABLES**

At fiscal year-end, the General Fund had unpaid interfund cash advances in the amount of \$257,956, which represents short-term loans made to other funds of the District. These loans are expected to be repaid within one year.

**NOTE 9 – LEASES - LESSEE DISCLOSURE**

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

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

<u>Fiscal Year</u>	<u>Total Payment</u>
2013	\$ 333,576
2014	333,576
2015	<u>333,576</u>
Total	<u><u>\$ 1,000,728</u></u>

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**NOTE 10 – LONG-TERM OBLIGATIONS**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Series 1997 Bonds					
Capital Appreciation	\$ 255,628	\$ -	\$ (138,369)	\$ 117,259	\$ 117,259
Accreted Interest	2,233,510	323,102	(1,326,631)	1,229,981	1,229,981
Series 1999 Energy Conservation Notes	175,000	-	(55,000)	120,000	60,000
Series 2003 Bonds	24,075,000	-	(805,000)	23,270,000	830,000
Series 2003 General Obligation Notes	405,000	-	(130,000)	275,000	135,000
Series 2005 Bonds	21,120,000	-	(580,000)	20,540,000	600,000
Series 2007 Bond Anticipation Notes	8,150,000	-	(8,150,000)	-	-
Series 2008 Bonds					
Current Interest	54,610,000	-	(670,000)	53,940,000	870,000
Capital Appreciation	64,988	-	-	64,988	-
Accreted Interest	159,176	114,533	-	273,709	-
Series 2012 Bonds					
Current Interest	-	8,150,000	-	8,150,000	-
Total long-term obligations	<u>\$ 111,248,302</u>	<u>\$ 8,587,635</u>	<u>\$ (11,855,000)</u>	<u>\$ 107,980,937</u>	<u>\$ 3,842,240</u>

**A. Series 1997 Bonds**

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

This issue is comprised of both current interest bonds, par value \$20,625,000, and capital appreciation bonds, par value \$611,520. The interest rates on the current interest bonds range from 3.80% to 5.45%. A capital appreciation bond matured on December 1, 2010 (approximate initial offering yield at maturity 5.15%).

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**NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)**

The remaining capital appreciation bonds mature on December 1, 2011 (approximate initial offering yield at maturity 5.30%) and December 1, 2012 (approximate initial offering yield at maturity 5.35%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the outstanding capital appreciation bonds is \$1,465,000 and the accreted value at fiscal year-end was \$1,347,240.

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

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

Fiscal Year	Capital Appreciation Bonds		
	Principal	Interest	Total
2013	\$ 1,347,240	\$ 117,760	\$ 1,465,000
Total	\$ 1,347,240	\$ 117,760	\$ 1,465,000

**B. Series 1999 Energy Conservation Notes**

During fiscal year 1999, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund.

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

Fiscal Year	Principal	Interest	Total
2013	\$ 60,000	\$ 4,545	\$ 64,545
2014	60,000	1,515	61,515
Total	\$ 120,000	\$ 6,060	\$ 126,060

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**NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)**

**C. Series 2003 Bonds**

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

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

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

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

Fiscal Year	Current Interest Bonds- Series 2003		
	Principal	Interest	Total
2013	\$ 830,000	\$ 1,023,405	\$ 1,853,405
2014	860,000	993,830	1,853,830
2015	890,000	962,538	1,852,538
2016	920,000	929,045	1,849,045
2017	955,000	893,173	1,848,173
2018-2022	5,430,000	3,788,239	9,218,239
2023-2027	6,755,000	2,430,199	9,185,199
2028-2031	6,630,000	679,920	7,309,920
Total	<u>\$ 23,270,000</u>	<u>\$ 11,700,349</u>	<u>\$ 34,970,349</u>

**D. Series 2003 Energy Conservation Notes**

On July 1, 2003, the District issued general obligation notes to provide funds for energy improvements to school facilities. These notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund.

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

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**NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)**

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 135,000	\$ 7,784	\$ 142,784
2014	140,000	2,660	142,660
Total	<u>\$ 275,000</u>	<u>\$ 10,444</u>	<u>\$ 285,444</u>

**E. Series 2005 Bonds**

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

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

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

<u>Fiscal Year</u>	<u>Current Interest Bonds- Series 2005</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 600,000	\$ 976,750	\$ 1,576,750
2014	625,000	952,250	1,577,250
2015	650,000	926,750	1,576,750
2016	675,000	900,250	1,575,250
2017	705,000	872,650	1,577,650
2018-2022	4,035,000	3,808,375	7,843,375
2023-2027	5,155,000	2,665,125	7,820,125
2028-2032	6,575,000	1,205,375	7,780,375
2033	1,520,000	35,150	1,555,150
Total	<u>\$ 20,540,000</u>	<u>\$ 12,342,675</u>	<u>\$ 32,882,675</u>

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**NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)**

**F. Series 2007 Bond Anticipation Notes**

On November 29, 2007, the District issued bond anticipation notes in the amount of \$9,540,000 to refund the callable portion of the 1997 series general obligation bonds (see Note 10.A). These bond anticipation notes were subsequently purchased by Dexia Credit Local (Dexia) and a swap option was exercised obligating Dexia to pay the variable interest rate due on the notes in return for a fixed rate to be received by the District (see Note 10.I for detail).

**G. Series 2008 Bonds**

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

This issue is comprised of both current interest bonds, par value \$55,935,000, and capital appreciation bonds, par value \$64,988. The interest rates on the current interest bonds range from 3.00% to 5.25%. The capital appreciation bonds mature on December 1, 2016 (approximate initial offering yield at maturity 4.30%) and December 1, 2017 (approximate initial offering yield at maturity 4.42%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,500,000 and the accreted value at fiscal year-end was \$338,697.

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

The following is a summary of the future debt service requirements to maturity for the 2008 series general obligation bonds:

Fiscal Year	Current Interest Bonds- Series 2008			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 870,000	\$ 2,596,112	\$ 3,466,112	\$ -	\$ -	\$ -
2014	905,000	2,564,484	3,469,484	-	-	-
2015	940,000	2,530,456	3,470,456	-	-	-
2016	1,150,000	2,489,831	3,639,831	-	-	-
2017	-	2,466,831	2,466,831	203,844	1,046,156	1,250,000
2018-2022	10,455,000	11,417,666	21,872,666	134,853	1,115,147	1,250,000
2023-2027	16,190,000	7,857,413	24,047,413	-	-	-
2028-2032	20,730,000	3,258,394	23,988,394	-	-	-
2033	2,700,000	67,500	2,767,500	-	-	-
<b>Total</b>	<b>\$ 53,940,000</b>	<b>\$ 35,248,687</b>	<b>\$ 89,188,687</b>	<b>\$ 338,697</b>	<b>\$ 2,161,303</b>	<b>\$ 2,500,000</b>

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**NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)**

**H. Series 2012 Bonds**

In February 2012, the District issued \$8,150,000 in general obligation refunding bonds with an interest cost of 5.37% for the purpose of currently refunding the outstanding principal amount of the 2007 Bond Anticipation Notes and terminating an interest rate hedge agreement with Dexia Credit Local. The District received \$9,305,018 in bond proceeds, which included a \$1,155,018 premium. The bonds were issued for a five year period with final maturity at December 1, 2017. The bonds will be retired from the debt service fund. This refunding resulted in a savings of \$111,203. The refunding did not increase the overall debt of the District; however, since funds were needed to terminate the interest rate hedge agreement, the District lost the opportunity to capitalize on lower interest rates.

The following is a summary of the future debt service requirements to maturity for the 2012 series general obligation bonds:

Fiscal Year	Principal	Interest	Total
2013	\$ -	\$ 437,656	\$ 437,656
2014	1,480,000	397,918	1,877,918
2015	1,550,000	316,562	1,866,562
2016	1,625,000	231,313	1,856,313
2017	1,705,000	141,903	1,846,903
2018	1,790,000	48,062	1,838,062
Total	<u>\$ 8,150,000</u>	<u>\$ 1,573,414</u>	<u>\$ 9,723,414</u>

**I. Refunding and Sold Options**

In 2008, the District entered into an agreement with Dexia for Dexia to purchase bond anticipation notes that were or may be issued to refund a portion of the general obligation bonds discussed in Note 10.A. (1997 issue), Note 10.C. (2003 issue) and Note 10.E. (2005 issue). These refunding bond anticipation notes, as or if issued, bear or would bear variable interest rates based upon the Securities Industry and Financial Markets Association (SIFMA, formerly the Bond Marketing Association, BMA) Municipal Swap Index plus 29 basis points (0.29%).

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

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**NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)**

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

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

During fiscal year 2012, the District terminated the agreement related to 1997 issue through the issuance of the Series 2012 General Obligation Refunding Bonds. The proceeds of the current refunding bonds were used to currently refund the outstanding principal amounts tied to the agreements (\$8,150,000 Series 2007 Bond Anticipation Notes) and terminate the interest rate hedge agreement at a net cost of \$1,063,718. This refunding did not increase the overall general obligation debt of the District and resulted in a savings of \$111,203.

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

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

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**NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)**

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

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

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

Counterparty Risk: Over the long-term, it is possible that the credit strength of Dexia could change and this event could trigger termination payments or other remedies on the part of Dexia or the District. In fact, Dexia's credit rating has been down-graded since the swap agreements were entered into, which triggered certain disclosures by Dexia, but no payments or other adverse events affecting the District.

Counterparty risk is minimized in this case because, as noted above, Dexia basically is paying itself the variable rates and is receiving or would be receiving the fixed rates from the District.

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

The fair values of hedging derivative instruments at fiscal year-end, as reported by Dexia, which would be payable by the District, should they opt to terminate, were: \$5,049,890, and \$4,217,918 for the 2003 issue and 2005 issue, respectively. The **District has no intention of terminating these hedging derivative instruments.**

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**NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)**

The worsening of the European sovereign debt crisis and the significant disruption to the financial markets since the summer of 2011 led to an increased refinancing risk for the Dexia Group, notwithstanding the substantial progress made with regard to its financial restructuring over the past three years. To stabilize its liquidity situation and to protect its commercial franchises, the Group was confronted with the need for immediate and resolute action and engaged in a series of structural measures significantly impacting the Group structure. Although the impact of Dexia Group’s restructuring is not completely known at this time, the District believes it’s risk exposure to be limited.

**J. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at fiscal year-end, resulted in no remaining voted debt margin and an unvoted debt margin of \$681,985. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated a “special needs” school district as permitted by Ohio Revised Code Section 133.06(E).

**NOTE 11 - RISK MANAGEMENT**

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

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

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**NOTE 11 – RISK MANAGEMENT (CONTINUED)**

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal 2012.

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

**C. Workers' Compensation Group Rating Plan** - During the fiscal year, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 – PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.7%. The remaining 1.3% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$894,179, \$800,586 and \$1,119,747, respectively. The full amount has been contributed for each year.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
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**NOTE 12 – PENSION PLANS (CONTINUED)**

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

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
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**NOTE 12 – PENSION PLANS (CONTINUED)**

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

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

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 – PENSION PLANS (CONTINUED)**

The District's required contributions for pension obligations for the fiscal years ended June 30, 2012, 2011, and 2010 were \$3,384,048, \$3,431,465, and \$3,602,040, respectively. The full amount has been contributed for each year.

**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, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 – POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. The District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$52,806, \$51,520, and \$66,589, respectively. The full amount has been contributed in each year.

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 – POSTEMPLOYMENT BENEFITS (CONTINUED)**

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. 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. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2012, 2011, and 2010 were \$140,307, \$198,245, and \$141,611, respectively. The full amount has been contributed in each year.

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

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

Plan Description - The District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$260,311, \$263,959, and \$277,080, respectively. The full amount has been contributed in each year.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 – CONTINGENCIES**

**A. Litigation**

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

**NOTE 15 – SET ASIDE REQUIREMENTS**

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

The following cash basis information identifies the changes in the set aside balances for capital improvements:

	Capital Acquisition
Set-aside cash balance	
as of June 30, 2011	\$ -
Current fiscal year set-aside requirement	1,003,013
Prior Year Offset from Bond Proceeds	(1,003,013)
Total	\$ -
Balance carried forward to FY 2012	\$ -
Set Aside Reserve Balance June 30, 2012	\$ -

*Capital Acquisition*

During fiscal year 2003, the District issued \$29,800,000 in capital related debt based on a building project under taken by the District. During fiscal year 2005, the District issued \$23,950,000 in capital related debt for a new building project. During fiscal year 2009, the District issued \$55,999,988 in capital related debt for a new building project. Those proceeds may be used as qualifying disbursements to reduce the capital acquisition to zero for future years. Therefore, the District still has \$105,197,352 in qualifying disbursements that may be used to reduce the set-aside requirement for future years.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 – CONTRACTUAL COMMITMENTS**

At fiscal year-end, the District has commitments with the following companies:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid As of June 30, 2012</u>	<u>Amount Remaining on Contract</u>
Accurate Electric	\$ 5,973,908	\$ 2,703,272	\$ 3,270,636
Avaya	681,664	493,946	187,718
Farnham Equipment	50,239	-	50,239
Fire Guard Inc	101,992	23,020	78,972
General Temperature Control	3,299,700	2,776,156	523,544
Hewlett-Packard	123,184	-	123,184
Moody Nolan	2,135,498	1,886,068	249,430
Smoot, Elford, McDaniels	707,956	478,066	229,890
Stan & Associates, Inc.	216,652	80,503	136,149
Sound Com Systems	373,713	200,221	173,492
Synergy Group	4,062,579	3,076,761	985,818
T.B. Penick & Sons	822,894	689,925	132,969
Total Integration Systems	206,680	-	206,680
2 K General Co Inc	5,371,291	3,734,358	1,636,933
Total	<u>\$ 24,127,950</u>	<u>\$ 16,142,296</u>	<u>\$ 7,985,654</u>

Contractual Commitments are primarily a result of the District's ongoing Ohio School Facilities Project.

The District encumbers funds with purchase orders to assign funds for those purchases of goods and services. Encumbrances as of fiscal year end were as follows:

	<u>Encumbrances</u>
General Fund	\$ 798,832
Building Fund	2,406,693
Classroom Facilities Fund	6,189,230
Other Governmental Funds	252,253
Total	<u>\$ 9,647,008</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
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**NOTE 17 – VIRTUAL COMMUNITY SCHOOL**

Key disclosures for Virtual Community School (“the School”) are as follows:

Deposits

At fiscal year-end the carrying amount of the School’s deposits was \$307,563 and the bank balance was \$613,228, including \$75,294 on deposit in a Paypal account. Of the School’s bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the School’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 School. The School 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 School to a successful claim by the FDIC.

Operating Lease

The School entered into two lease contracts with eSchool Consultants, LLC, which commenced on July 1, 2008. These agreements are for office space at 4480 Refugee Road, Columbus, Ohio. This office space is made up of 4,513 square feet on the north side of the building and 7,352 square feet on the south side of the building. Lease payments for the north side space were \$4,513 per month from July 2011 through June 2012. Lease payments for the south side space were \$7,352 per month from July 2011 through June 2012.

Lease payments for these offices totaled \$147,818 during fiscal year 2012. Over the term of the leases there are scheduled rent increases, but no scheduled rent holidays, and the leases are renewable by either party at expiration. The future minimum lease payments are noted in the following table.

Fiscal Year Ending	Suites
<u>June 30,</u>	<u>North, South</u>
2013	148,312
Total	<u>\$ 148,312</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 17 – VIRTUAL COMMUNITY SCHOOL (CONTINUED)**

Consulting Contract

The School entered into a consulting contract with eSchool Consultants, LLC, an Ohio Corporation on March 28, 2002 for fifty-one months. This contract was renewed on June 22, 2005 for the period of July 1, 2005 to June 30, 2011. The contract was renewed again on July 12, 2012 for a one year period commencing July 1, 2012, with renewal to occur annually unless either party gives a proper written notice of non-renewal. Contract provisions requires eSchool Consultants to design, develop, implement curriculum and instruction programs, recruitment programs, marketing and public relations programs, exemplary interactive computer requirements, staff requirement program, comprehensive grant-seeking programs, a continuous improvement plan and to facilitate the computer/technology lease/purchase agreements. Under the agreement, eSchool consultants shall bill the School for services rendered. All billings are due within 30 days.

For fiscal year 2012, the School paid eSchool Consultants \$3,858,899, for support and services rendered under the contractual agreement during fiscal year 2012.

Related Party Transactions

Mr. James McCord was appointed Superintendent of the School during the fiscal year 2007. Mr. McCord was previously a Board Member of the School. During fiscal year 2012, three relatives of Mr. McCord were employed by the School.

1. Judy McCord, Mr. McCord's wife, had a contract salary of \$33,500 to provide consultant services and supervision of the EMIS database and be an Assistant to the Treasurer. Judy McCord was paid \$29,250 for her services in fiscal year 2012. Judy McCord is no longer employed by the School as of June 30, 2012.
2. Ed McCord, Mr. McCord's brother, is the director of the 21<sup>st</sup> Century grant program. Ed McCord had a contract salary of \$87,089 and was paid \$91,789 during fiscal year 2012. The difference contract salary and the amount paid represent payments for forgoing the School's insurance and for additional services performed.
3. Gavin McCord, Mr. McCord's son, was hired during fiscal year 2012 as a social studies teacher. Gavin McCord had a contract salary of \$37,374 and was paid \$33,484 during fiscal year 2012.

Also, the School has created the Virtual Community School of Ohio Charitable Foundation, Inc. The Foundation's Board Members are as follows: Chairperson: Cooke Metzger, Board President of the School, Vice Chairperson: Jeff Nelson, Director of Pupil Personnel and Technology for the School, Treasurer: Shane Allen, Treasurer for the School, and Secretary: Lori Berkheimer, Director of Public Relations for the School (resigned from the School effective 2/24/12). During fiscal year 2012, the School paid \$2,565 in legal fees for the creation of the Foundation.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 18 – EVEREST HIGH SCHOOL**

Key disclosures for Everest High School, formerly known as Reynoldsburg Conversion Community School, (“the School”) are as follows:

Deposits

At fiscal year-end, the carrying amount of the School’s deposits was \$413,977 and the bank balance was \$416,921. The School’s entire bank balance was covered by the Federal Depository Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the School’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 School. The School 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 School to a successful claim by the FDIC.

Lease Agreement

On August 23, 2010, the School entered into a one-year agreement with the District for the lease of office space and classrooms at the Graham Road Elementary School. The annual lease payments were \$50,000. On June 21, 2011, the agreement was extended for a series of annual terms commencing August 1, 2011, with no specified end date and no change in the annual rent. Then, on July 21, 2011, an addendum to the lease agreement was approved which reduced the annual rent to \$25,000. The School paid the District \$25,000 for use of the space during fiscal year 2012.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 19 – A+ ARTS ACADEMY**

Key disclosures for A+ Arts Academy (“the Academy”) are as follows:

Change in Basis of Accounting

For fiscal year 2012, the District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2B.

The implementation of this change had the following effects on net assets of the Academy as they were previously reported.

Net Assets June 30, 2011	\$	353,769
Eliminate Current Assets		(67,036)
Eliminate Capital Assets		(1,029,821)
Eliminate Current Liabilities		177,944
Eliminate Long-Term Liabilities		782,871
Adjusted Net Assets July 1, 2011	\$	<u>217,727</u>

Deposits

At fiscal year-end, the carrying amount of the Academy’s deposits was \$273,748 and the bank balance was \$305,749. The Academy’s entire bank balance was covered by the Federal Depository Insurance Corporation.

Mortgage Loan Payable

Changes in the Academy’s mortgage loan payable during the fiscal year was as follows:

	Beginning Balance 6/30/2011	Additions	Reductions	Balance 6/30/2012	Due Within One Year
Mortgage loan payable	\$ 807,685	\$ -	\$ (36,901)	\$ 770,784	\$ 20,806

*Mortgage loan payable:* On May 31, 2006 the Academy issued a mortgage loan in the amount of \$915,000 with an interest rate of 8.25% (variable rate) to be repaid over 30 years and it is currently at an interest rate of 3.75%. The loan was issued to purchase a building which is used as classrooms for the Academy.

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**FRANKLIN COUNTY, OHIO**  
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**NOTE 19 – A+ ARTS ACADEMY (CONTINUED)**

The debt service requirements for the mortgage loan are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 20,806	\$ 28,549	\$ 49,355
2014	21,600	27,755	49,355
2015	22,424	26,931	49,355
2016	23,280	26,076	49,356
2017	24,168	25,188	49,356
2018-2022	135,394	111,384	246,778
2023-2027	163,268	83,509	246,777
2028-2032	196,881	49,896	246,777
2033-2036	162,963	11,282	174,245
Total	<u>\$ 770,784</u>	<u>\$ 390,570</u>	<u>\$ 1,161,354</u>

Space Sharing Agreement

On August 11, the Academy and My Brother's Keeper, a Human Services Corp., entered into a space sharing rental agreement. The rental agreement is for administrative and classroom space located at Hermon Missionary Baptist Church in Columbus, Ohio. The Academy paid rental payments in the amount of \$159,390 during the fiscal year. This additional space is used to expand the Academy's operations to include grades K-5. The Academy has extended the lease for fiscal year 2013.

Related Party Transactions

During FY2012, the Academy contracted with K&M Kleening for cleaning services. This company is owned by Morris Berkley, Carolyn Berkley's (Superintendent of A+ Arts Academy) husband. Carolyn Berkley is also the Chief Financial Officer of K&M Kleening. During FY2012, A+ Arts Academy paid K&M Kleening \$30,598.34.

Subsequent Event

On June 8, 2012, the Academy entered into a contract for the purchase of additional school space located at 220-250 Napoleon Ave, Columbus, Ohio 43213 for a purchase price of \$750,000. As of June 30, 2012, this contract is contingent upon the Academy being able to obtain suitable financing.

**REYNOLDSBURG CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 20 – PATRIOT PREPARATORY ACADEMY**

Key disclosures for Patriot Preparatory Academy (“the Academy”) are as follows:

Change in Basis of Accounting

For fiscal year 2012, the District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2B.

The implementation of this change had the following effects on net assets of the Academy as they were previously reported.

	Net Assets
Net Assets June 30, 2011	\$ 96,345
Eliminate Current Assets	(65,066)
Eliminate Current Liabilities	268,729
Adjusted Net Assets June 30, 2011	\$ 300,008

Deposits

At fiscal year end June 30, 2012, the carrying amount of the Academy’s deposits was \$772,627, and the bank balance was \$831,688. The entire bank balance was covered by federal depository insurance.

Operating Leases

The Academy entered into a lease contract with Liberty Christian Academy for school facilities located at 4938 Beatrice Drive, Columbus, OH. The lease term is for the period of June 1, 2011 through June 1, 2026, with required payments of \$30,000 per month. Lease payments for the facilities totaled \$360,000 during fiscal year 2012. The lease agreement allows for two year lease renewals with an additional 5% increase per year for each two year extension.

The Academy has entered into a lease agreement with Konica Minolta Business Solutions for the lease of a copier. The term of the lease is for 60 months and commenced on August 5, 2011, with required payments of \$543 per month. The Academy also entered into a corresponding maintenance agreement for the copier for an additional \$197 per month. Total payments related to these agreements during the fiscal year totaled \$13,417.

Related Party Transactions

The Academy leases its facility from the Liberty Christian Academy whose chairman and superintendent, Ms. LaVonne McIlrath, is the wife of Mr. David McIlrath, superintendent of Patriot Preparatory Academy. During the year the Academy paid \$360,000 to Liberty Christian Academy.

**NOTE 21 – SUBSEQUENT EVENT**

On May 10, 2012, the District approved an agreement to become the sponsor of Brookwood Academy, a start-up community school. The agreement period commences July 1, 2012 and ends June 30, 2012.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Grant Year(s)	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
School Breakfast Program	2011-2012	10.553	\$ 381,337	\$ -	\$ 381,337	\$ -
National School Lunch Program	2011-2012	10.555	859,555	-	859,555	-
Summer Food Program	2011-2012	10.559	72,118	-	72,118	-
School Food Donation	2011-2012	10.555	-	143,375	-	143,375
<b>Total Nutrition Cluster</b>			<u>1,313,010</u>	<u>143,375</u>	<u>1,313,010</u>	<u>143,375</u>
Child & Adult Care Food Program	2011-2012	10.558	24,317	-	24,317	-
<b>Total U.S. Department of Agriculture</b>			<u>1,337,327</u>	<u>143,375</u>	<u>1,337,327</u>	<u>143,375</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Cluster:						
Title I Grants to Local Educational Agencies	2011-2012	84.010	1,432,114	-	1,441,662	-
ARRA - Title I Grants to Local Educational Agencies	2011-2012	84.389	84,338	-	68,907	-
<b>Total Title I Cluster</b>			<u>1,516,452</u>	<u>-</u>	<u>1,510,569</u>	<u>-</u>
Special Education Cluster:						
Special Education Grants to States	2011-2012	84.027	1,056,540	-	1,128,726	-
ARRA - Special Education Grants to States	2011	84.391	85,706	-	85,706	-
ARRA - Early Childhood Special Education Grants	2011-2012	84.392	14,299	-	16,336	-
<b>Total Special Education Cluster</b>			<u>1,156,545</u>	<u>-</u>	<u>1,230,768</u>	<u>-</u>
Education Technology State Grants	2011-2012	84.318	3,785	-	6,169	-
English Language Acquisition Grants	2011-2012	84.365	27,161	-	29,967	-
Improving Teacher Quality State Grants	2010-2011	84.367	124,640	-	117,324	-
ARRA - State Fiscal Stabilization Fund – Education State Grants	2011	84.394	-	-	250,639	-
ARRA - Race to the Top	2011-2012	84.395	117,224	-	192,587	-
Education Jobs	2012	84.410	1,067,965	-	1,096,674	-
<b>Total U.S. Department of Education</b>			<u>4,013,772</u>	<u>-</u>	<u>4,434,697</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Education</i>						
Refugee School Impact Grant	2011-2012	93.576	5,629	-	7,612	-
<b>Total U.S. Department of Health and Human Services</b>			<u>5,629</u>	<u>-</u>	<u>7,612</u>	<u>-</u>
<b>Total</b>			<u>\$ 5,356,728</u>	<u>\$ 143,375</u>	<u>\$ 5,779,636</u>	<u>\$ 143,375</u>

The accompanying notes are an integral part of this schedule.

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2011 to 2012 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2011 to 2012</u>
Title I Grants to Local Educational Agencies	84.010	\$ 12,923
Special Education - Grants to States	84.027	31,441
Title III	84.365	4,694
ARRA- Race to the Top	84.395	767
Improving Teacher Quality State Grant	84.367	9,473

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2013, wherein we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the 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.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

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

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

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

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

Kennedy Cottrell Richards LLC  
March 15, 2013

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

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

To the Board of Education:

**Compliance**

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

The Reynoldsburg City School District's basic financial statements include the operations of the Virtual Community School, Everest High School, A+ Arts Academy, and Patriot Preparatory Academy, component units of Reynoldsburg City School District. Virtual Community School, Everest High School, A+ Arts Academy, and Patriot Preparatory Academy received \$2,544,259, \$253,528, \$611,969 and \$696,767 and expended \$2,567,702, \$180,658, \$637,733 and \$604,227, respectively in federal awards during fiscal year 2012 that are not included in the Federal Awards Receipts and Expenditures Schedule for Reynoldsburg City School District for the fiscal year ended June 30, 2012. Our audit of federal awards, described below, did not include the operations of Virtual Community School, Everest High School, A+ Arts Academy, and Patriot Preparatory Academy. For the fiscal year ended June 30, 2012, Virtual Community School, A+ Arts Academy and Patriot Preparatory Academy required single audits of their Federal Award Programs in accordance with OMB Circular A-133, and separate reports have been issued. Everest High School expended less than \$500,000 for the fiscal year ended June 30, 2012 and thus was not required to have an audit of its Federal Award Program in accordance with OMB Circular A-133.

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 District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

### Internal Control Over Compliance

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

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

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

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



Kennedy Cottrell Richards LLC  
March 15, 2013

**REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster CFDA # 84.010 ARRA-CFDA # 84.389  Education Jobs Fund CFDA # 84.410  ARRA- State Fiscal Stabilization Fund CFDA # 84.394  ARRA- Race to the Top CFDA # 84.395
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS

JUNE 30, 2012  
(Continued)

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

**2012-01 NONCOMPLIANCE: BASIS OF ACCOUNTING**

Ohio Administrative Code Section 117-2-03 (B) states "All counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles."

The District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. To be in compliance with the Ohio Administrative Code, the District should use generally accepted accounting principles in future annual financial reports; otherwise, the District can be fined and various other administrative remedies may be taken against the District.

Official's Response:

The cost of preparation of GAAP financial statements significantly exceeds the cost of preparation of non- GAAP financial statements. In the judgment of RCSD, the application of GAAP, which exists principally as a guide to entities other than local governments, does not produce financial statements that are materially more accurate than non-GAAP financial statements. In light of the higher costs, absence a material benefit, and financial constraints, RCSD has chosen to prepare non-GAAP financial statements

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

REYNOLDSBURG CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2012

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>
2011	2011-01	Ohio Administrative Code Section 117-02-03(B) requires that the School District prepare its financial report in accordance with accounting principles generally accepted in the United States of America.	Repeated as finding 2012-01.

### Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 20, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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



Kennedy Cottrell Richards LLC  
March 15, 2013



# Dave Yost • Auditor of State

REYNOLDSBURG CITY SCHOOL DISTRICT

FRANKLIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 21, 2013