

Dave Yost • Auditor of State

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Russia Local School District
Shelby County
100 School Street
Russia, Ohio 45363

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Russia Local School District, Shelby County, Ohio (the District), as of and for the years ended June 30, 2012 and 2011, 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, the accompanying financial statements and notes follow the 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Russia Local School District, Shelby County, Ohio, as of June 30, 2012 and 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the accounting basis Note 2 describes.

As described in Note 15, during 2011 the Russia Local School District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 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 & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. These tables provide additional information, but are not part of the basic financial statements. However these tables 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 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 & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

February 11, 2013

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

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

Highlights

Key highlights for fiscal year 2012 are as follows:

- Net assets of governmental activities decreased 41% or \$1,909,441 from prior year.
- General revenues accounted for \$4,095,178 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions and interest, and capital grants and contributions accounted for \$1,088,692 or 21 percent of total revenues of \$5,183,870.
- Among major funds, the General Fund had \$3,844,131 in receipts and \$3,639,591 in disbursements. The General Fund's balance increased \$215,951 from 2011.
- Voters of the School District approved of a bond levy for \$3.58 mills on August 4, 2009. The levy is for 28 years and is anticipated to generate \$1,940,722.
- During fiscal year 2012, the School District continued its construction project under the State of Ohio Classroom Facilities Assistance Program. The project consists of the elementary renovation with approximately 5,000 square feet of new building. The State share of the project is \$4,988,156. Construction commenced in fiscal year 2010.

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 School District's cash basis of accounting.

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School 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 government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain 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 cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School 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 School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School 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 School District are split into two categories: governmental and fiduciary.

Governmental Funds – Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School 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 Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major 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 School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Capital Facilities Project Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2011	2012
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$4,691,457	\$2,782,016
Net Assets:		
Restricted for:		
Capital Projects	\$2,763,503	\$ 483,301
Debt Service	656,887	770,768
School Bus Purchases	3,342	3,342
Other Purposes	96,045	136,974
Unrestricted	1,171,680	1,387,631
Total Net Assets	\$4,691,457	\$2,782,016

As mentioned previously, net assets of governmental activities decreased \$1,909,441 during fiscal year 2012. Unrestricted net assets increased \$215,951 as a result of general operating receipts exceeding disbursements. Disbursements relating to the capital facilities project contributed to the decrease in cash and net assets restricted for capital improvements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

Table 2 reflects the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2011	Governmental Activities 2012
Receipts:		
Program Receipts:		
Charges for Services	\$ 537,598	\$ 539,826
Operating Grants and Contributions	422,206	457,698
Capital Grants and Contributions	1,772,792	91,168
Total Program Receipts	<u>2,732,596</u>	<u>1,088,692</u>
General Receipts:		
Property Taxes	1,319,676	1,391,580
Income Taxes	272,820	320,152
Grants and Entitlements Not Restricted to Specific Programs	2,287,124	2,341,634
All Other Categories	28,705	41,812
Total General Receipts	<u>3,908,325</u>	<u>4,095,178</u>
Total Receipts	<u>6,640,921</u>	<u>5,183,870</u>
Disbursements:		
Instruction	2,640,119	2,595,485
Support Services:		
Pupils and Instructional Staff	210,492	158,350
Board of Education, Administration, Fiscal and Business	535,717	507,330
Operation and Maintenance of Plant	343,857	365,954
Pupil Transportation	170,386	187,150
Central	133,671	125,129
Operation of Non-Instructional Services	147,640	159,223
Extracurricular Activities	197,163	201,408
Capital Outlay	3,634,668	2,378,572
Debt Service	431,569	414,710
Total Disbursements	<u>8,445,282</u>	<u>7,093,311</u>
Increase (Decrease) in Net Assets	<u>(1,804,361)</u>	<u>(1,909,441)</u>
Net Assets, Beginning of Year	<u>6,495,818</u>	<u>4,691,457</u>
Net Assets, End of Year	<u>\$4,691,457</u>	<u>\$2,782,016</u>

Property taxes increased as a result of an increase in the tax rate from \$46.03 mills to \$46.55 mills. Also, income taxes increased \$47,332 during 2012 as a result of a stronger economy.

Grant monies received from the Ohio School Facilities Commission are shown with capital grants and contributions. The State share of the elementary renovation project is \$4,988,156. As this program draws to its conclusion, capital grants and contributions decreased.

Capital outlay disbursements are a result of the capital facilities elementary renovation.

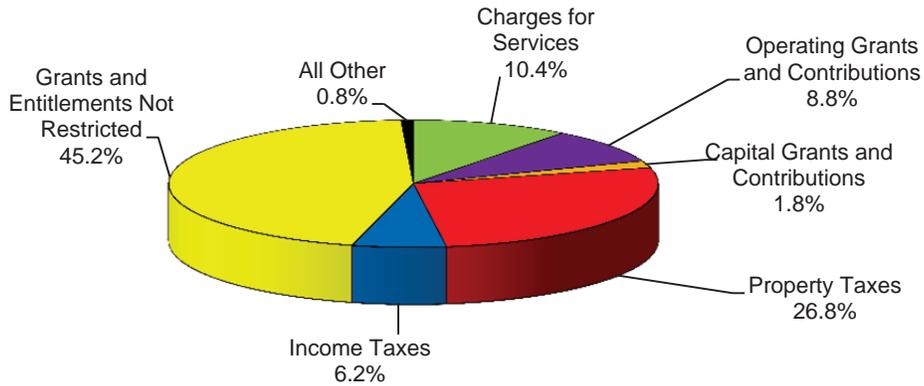
**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

Governmental Activities

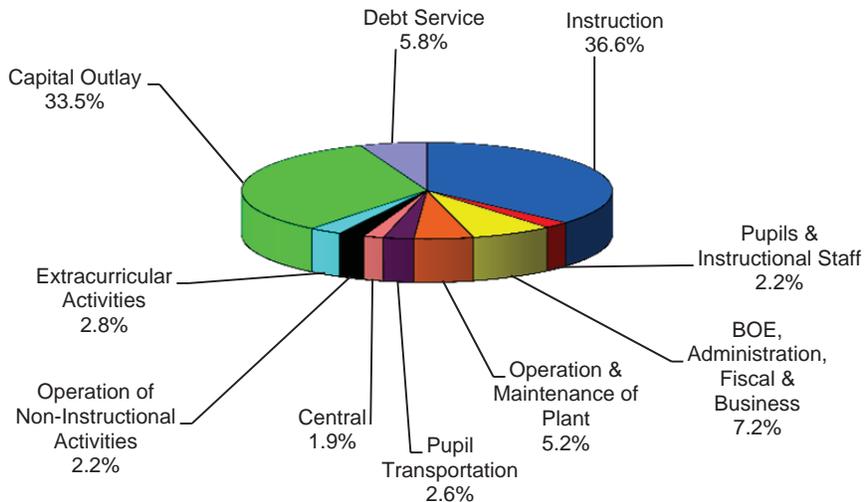
Grants and entitlements not restricted consists largely of state foundation monies. For 2012, grants and entitlements accounted for 45.2% of the School District's receipts, up from 34.4% for 2011. Capital grants and contributions make up 1.8% of receipts for fiscal year 2012 and consist of monies received from the Ohio School Facilities Commission for the renovation project.

Governmental Receipts



For fiscal year 2012, instruction made up 36.6% of disbursements. For 2011, instruction made up 31.3% of disbursements. Debt service jumped from 5.9% for fiscal year 2009 to 31.5% for fiscal year 2010 with the payoff of the bond anticipation notes and then fell to 5.1% in 2011. Capital outlay accounted for 33.5% of disbursements for fiscal year 2012, 43% for fiscal year 2011 and 8% for 2010.

Governmental Disbursements



**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

If you look at the statement of activities on page 12, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2011	Net Cost of Services 2011	Total Cost Of Services 2012	Net Cost of Services 2012
Instruction	\$2,640,119	(\$2,095,085)	\$2,595,485	(\$1,918,670)
Support Services:				
Pupils and Instructional Staff	210,492	(204,531)	158,350	(120,001)
Board of Education, Administration, Fiscal and Business	535,717	(535,717)	507,330	(507,330)
Operation and Maintenance of Plant	343,857	(196,396)	365,954	(365,854)
Pupil Transportation	170,386	(131,234)	187,150	(172,319)
Central	133,671	(104,611)	125,129	(96,373)
Operation of Non-Instructional Services	147,640	(9,651)	159,223	(1,010)
Extracurricular Activities	197,163	(142,016)	201,408	(120,948)
Capital Outlay	3,634,668	(1,861,876)	2,378,572	(2,287,404)
Debt Service	431,569	(431,569)	414,710	(414,710)
Total Disbursements	<u>\$8,445,282</u>	<u>(\$5,712,686)</u>	<u>\$7,093,311</u>	<u>(\$6,004,619)</u>

The dependence upon state foundation and property and income tax receipts is apparent as the various programs require significant support from general receipts.

The School District's Funds

Total governmental funds had receipts of \$5,172,459 and disbursements of \$7,093,311.

The fund balance of the General Fund increased \$215,951. The School District experienced increases in property taxes (due to the new levies) and income taxes which allowed receipts to exceed disbursements.

The fund balance of the Bond Retirement Fund increased \$113,881 as a result of receipts generated from property taxes exceeding debt payments.

The Capital Facilities Project fund balance decreased \$2,276,917 as a large portion of the OSFC monies for the elementary renovation were received in prior fiscal years and a large portion of construction was completed in 2012.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

General Fund Budgeting Highlights

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

For the General Fund, the final budget basis revenue estimate was \$3,731,300 which was the same as the original budgeted estimate. The final total appropriations of \$4,872,415 was \$28,000 over original appropriations. The School District closely monitored spending enabling the School District to spend \$1,217,403 less than the amount appropriated.

Capital Assets and Debt Administration

Capital Assets

The School District does not currently report its capital assets and infrastructure.

Debt

In fiscal year 2008, \$3,544,998 in school improvement refunding bonds were issued to advance refund a portion of the building addition bonds, \$3,373,409 were outstanding at June 30, 2012. These bonds are made up of serial, term and capital appreciation bonds. The capital appreciation bonds were accreted \$15,906 in fiscal year 2012.

In fiscal year 2010, \$1,940,700 in school improvement bonds were issued to pay for the local share of construction under the State of Ohio Classroom Facilities Assistance Program. These bonds are made up of term and capital appreciation bonds. \$1,834,057 of these bonds remain outstanding at June 30, 2012.

**Table 4
Outstanding Debt at June 30,**

	Amount Outstanding 2011	Amount Outstanding 2012
School Improvement Refunding Bonds	\$3,512,503	\$3,373,409
School Improvement Bonds	1,876,042	1,834,057
Total Debt	\$5,388,545	\$5,207,466

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

For more information on the School District's debt, see Note 10 of the Basic Financial Statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

Current Issues

The School District received approval from the Ohio School Facilities Commission (OSFC) of the 2nd phase of the complete renovation and construction project that began with the 1st phase in 2003. The OSFC assessed and evaluated the School District's current facility. The recommendations from the OSFC included many needed repairs, renovations and some additional space. As a result of this recommendation, the School District asked the voters to approve a bond levy. On August 4, 2009, the voters of Russia Local School District approved a bond levy for 3.58 mills. The levy is for 28 years and will generate \$1,940,740. The levy proceeds are being used to pay for the bonds for the local portion of the Ohio School Facilities Commission (OSFC) project. The project consists of the elementary renovation with approximately 5,000 square feet of new building. The State share of the project is \$4,988,156. The bonds issued were rated AA- by Standard and Poor's.

On November 3, 2009, the voters of Russia Local School District also approved a replacement operating levy for 8 mills. The levy is for five years.

In conclusion, the Russia Local School District continues to be committed to financial as well as educational excellence. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jean Borchers, Treasurer at Russia Local School District, 100 School Street, Russia, OH 45363.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$2,782,016</u></u>
Net Assets:	
Restricted for:	
Capital Projects	\$483,301
Debt Service	770,768
School Bus Purchases	3,342
Other Purposes	136,974
Unrestricted	<u>1,387,631</u>
Total Net Assets	<u><u>\$2,782,016</u></u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$2,165,069	\$331,773	\$184,340		(\$1,648,956)
Special	423,787		160,702		(263,085)
Student Intervention Services	6,629				(6,629)
Support Services:					
Pupil	92,425		37,915		(54,510)
Instructional Staff	65,925		434		(65,491)
Board of Education	6,549				(6,549)
Administration	353,731				(353,731)
Fiscal	146,576				(146,576)
Business	474				(474)
Operation and Maintenance of Plant	365,954	100			(365,854)
Pupil Transportation	187,150	14,831			(172,319)
Central	125,129		28,756		(96,373)
Operation of Non-Instructional Services	159,223	125,951	32,262		(1,010)
Extracurricular Activities	201,408	67,171	13,289		(120,948)
Capital Outlay	2,378,572			\$91,168	(2,287,404)
Principal Retirement	205,000				(205,000)
Interest and Fiscal Charges	209,710				(209,710)
Total Governmental Activities	<u><u>\$7,093,311</u></u>	<u><u>\$539,826</u></u>	<u><u>\$457,698</u></u>	<u><u>\$91,168</u></u>	<u><u>(6,004,619)</u></u>

General Receipts:

Property Taxes Levied for:

General Purposes	923,974
Debt Service	448,793
Other Purposes	18,813
Income Taxes Levied for General Purposes	320,152
Grants and Entitlements not Restricted to Specific Programs	2,341,634
Sale of Capital Assets	4,834
Gifts and Donations not Restricted to Specific Programs	3,862
Interest	3,174
Miscellaneous	29,942
Total General Cash Receipts	<u><u>4,095,178</u></u>
Change in Net Assets	(1,909,441)
Net Assets Beginning of Year	<u><u>4,691,457</u></u>
Net Assets End of Year	<u><u>\$2,782,016</u></u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Bond Retirement</u>	<u>Capital Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,387,631	\$770,768	\$350,330	\$269,945	\$2,778,674
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	3,342				3,342
Total Assets	<u>\$1,390,973</u>	<u>\$770,768</u>	<u>\$350,330</u>	<u>\$269,945</u>	<u>\$2,782,016</u>
Fund Balances					
Restricted	\$3,342	\$770,768	\$350,330	\$269,945	\$1,394,385
Assigned	1,146,566				1,146,566
Unassigned	241,065				241,065
Total Fund Balances	<u>\$1,390,973</u>	<u>\$770,768</u>	<u>\$350,330</u>	<u>\$269,945</u>	<u>\$2,782,016</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Capital Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$923,974	\$448,793		\$18,813	\$1,391,580
Income Taxes	320,152				320,152
Intergovernmental	2,236,596	90,447	\$82,898	461,289	2,871,230
Interest	3,174		8,270		11,444
Tuition and Fees	331,773				331,773
Extracurricular Activities	8,437			47,927	56,364
Contributions and Donations	3,862			11,000	14,862
Charges for Services				125,951	125,951
Miscellaneous	16,163		7,202	25,738	49,103
Total Receipts	<u>3,844,131</u>	<u>539,240</u>	<u>98,370</u>	<u>690,718</u>	<u>5,172,459</u>
Disbursements:					
Current:					
Instruction:					
Regular	1,938,342			226,727	2,165,069
Special	305,472			118,315	423,787
Student Intervention Services	6,629				6,629
Support Services:					
Pupil	54,510			37,915	92,425
Instructional Staff	65,491			434	65,925
Board of Education	6,549				6,549
Administration	353,731				353,731
Fiscal	135,480	10,649		447	146,576
Business	474				474
Operation and Maintenance of Plant	364,682			1,272	365,954
Pupil Transportation	172,582			14,568	187,150
Central	96,373			28,756	125,129
Operation of Non-Instructional Services	8,753			150,470	159,223
Extracurricular Activities	130,523			70,885	201,408
Capital Outlay			2,375,287	3,285	2,378,572
Debt Service:					
Principal Retirement		205,000			205,000
Interest and Fiscal Charges		209,710			209,710
Total Disbursements	<u>3,639,591</u>	<u>425,359</u>	<u>2,375,287</u>	<u>653,074</u>	<u>7,093,311</u>
Excess of Receipts Over (Under) Disbursements	<u>204,540</u>	<u>113,881</u>	<u>(2,276,917)</u>	<u>37,644</u>	<u>(1,920,852)</u>
Other Financing Sources (Uses):					
Refund of Prior Year Expenditures	6,577				6,577
Proceeds from Sale of Capital Assets	4,834				4,834
Total Other Financing Sources (Uses)	<u>11,411</u>				<u>11,411</u>
Net Change in Fund Balances	215,951	113,881	(2,276,917)	37,644	(1,909,441)
Fund Balances Beginning of Year	<u>1,175,022</u>	<u>656,887</u>	<u>2,627,247</u>	<u>232,301</u>	<u>4,691,457</u>
Fund Balances End of Year	<u>\$1,390,973</u>	<u>\$770,768</u>	<u>\$350,330</u>	<u>\$269,945</u>	<u>\$2,782,016</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Receipts:				
Property Taxes	\$890,000	\$890,000	\$923,974	\$33,974
Income Taxes	300,000	300,000	320,152	20,152
Intergovernmental	2,170,000	2,170,000	2,236,596	66,596
Interest	3,500	3,500	3,174	(326)
Tuition and Fees	351,000	351,000	331,773	(19,227)
Extracurricular Activities	3,700	3,700	3,817	117
Contributions and Donations	1,500	1,500	2,146	646
Rentals				
Miscellaneous	11,100	11,100	16,163	5,063
Total Receipts	<u>3,730,800</u>	<u>3,730,800</u>	<u>3,837,795</u>	<u>106,995</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,234,984	2,234,984	1,940,197	294,787
Special	413,820	413,820	310,546	103,274
Student Intervention Services	12,700	12,700	6,629	6,071
Support Services:				
Pupils	108,750	108,750	49,618	59,132
Instructional Staff	96,650	96,650	65,889	30,761
Board of Education	10,650	10,650	6,549	4,101
Administration	395,721	395,721	354,731	40,990
Fiscal	159,100	159,100	135,480	23,620
Business	1,000	1,000	474	526
Operation and Maintenance of Plant	447,177	447,177	375,552	71,625
Pupil Transportation	143,013	178,013	173,748	4,265
Central	140,450	140,450	96,373	44,077
Operation of Non-Instructional Services	10,000	13,000	8,703	4,297
Extracurricular Activities	170,400	170,400	130,523	39,877
Capital Outlay				
Total Disbursements	<u>4,344,415</u>	<u>4,382,415</u>	<u>3,655,012</u>	<u>727,403</u>
Excess of Receipts Over (Under) Disbursements	<u>(613,615)</u>	<u>(651,615)</u>	<u>182,783</u>	<u>834,398</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures			6,577	6,577
Proceeds from Sale of Capital Assets	500	500	4,834	4,334
Other Financing Uses	(500,000)	(490,000)		490,000
Total Other Financing Sources (Uses)	<u>(499,500)</u>	<u>(489,500)</u>	<u>11,411</u>	<u>500,911</u>
Net Change in Fund Balances	(1,113,115)	(1,141,115)	194,194	1,335,309
Fund Balance at Beginning of Year	1,150,059	1,150,059	1,150,059	
Prior Year Encumbrances Appropriated	22,315	22,315	22,315	
Fund Balance at End of Year	<u>\$59,259</u>	<u>\$31,259</u>	<u>\$1,366,568</u>	<u>\$1,335,309</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$14,721	\$33,987
Net Assets:		
Held for Students		33,987
Held in Trust for Scholarships:		
Expendable	11,721	
Non-expendable	3,000	
Total Net Assets	\$14,721	\$33,987

See accompanying notes to the basic financial statements.

RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

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

	<u>Private Purpose Trust</u>
Additions:	
Miscellaneous	\$37,320
Deductions:	
Scholarships	<u>31,872</u>
Change in Net Assets	5,448
Net Assets - Beginning of Year	<u>9,273</u>
Net Assets - End of Year	<u><u>\$14,721</u></u>

See accompanying notes to the basic financial statements.

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**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

1. REPORTING ENTITY

Russia Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District's instructional/support facilities is staffed by 23 non-certificated employees, 35 certificated teaching personnel and 2 administrative employees to provide services to 481 students. It currently operates one instructional building.

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

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Russia Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization (WOCO)
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Southwestern Ohio Instructional Technology Association (SOITA)

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

1. REPORTING ENTITY (Continued)

Insurance Purchasing Pools:
Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Shelby County Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and
Liability Insurance Program

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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 cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School 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.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental activities (primarily those supported through taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District does not have any business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School 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 cash basis or draws from the School District's general receipts.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

Capital Facilities Project Fund – The Capital Facilities Project Capital Projects Fund accounts for the State share and the Local share of the Ohio School Facilities Commission project and the related expenses. The School District is renovating its elementary building.

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School 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 this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain 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. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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 two digit function level for the General Fund and the Bond Retirement Debt Service Fund and at the fund level for all other funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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 statement 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 statement reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriation resolution is subject to amendment throughout the fiscal 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 School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. 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 fiscal year 2012, the School District did not have any investments.

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 fiscal year 2012 was \$3,174, which included \$1,393 assigned from other School 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. Restricted assets represent amounts required by State statute to be set aside for the purchase of buses.

G. Inventory and Prepaid Items

The School 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. 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 School District's cash basis of accounting.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The School District's 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.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School 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. The School District did not have any net assets restricted by enabling legislation at June 30, 2012.

M. Fund Balance

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

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

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

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

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

N. 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. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

O. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

3. 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 cash basis is:

- 1) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as committed or assigned fund balance (cash basis) and
- 2) Perspective differences resulting from differences in fund structure.

Cash Basis	\$215,951
Encumbrances	(22,584)
Perspective Differences	827
Budgetary Basis	<u>\$194,194</u>

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim deposits 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to 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 or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$2,830,724. Cash balances per the bank were \$2,906,830. \$298,737 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2012, \$2,608,093 of the School District's bank balance of \$2,906,831 was exposed to custodial risk and was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the School District's name.

B. Investments

The School District did not have any investments at June 30, 2012.

5. PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts 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.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility 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.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

5. PROPERTY TAXES (Continued)

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$37,508,920	95.88%	\$38,526,300	95.71%
Public Utility Personal	1,613,780	4.12	1,728,210	4.29
Total	<u>\$39,122,700</u>	<u>100.00%</u>	<u>\$40,254,510</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	46.03		46.55	

6. INCOME TAXES

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracted with Arthur Gallagher Risk Management Services, Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building (\$2,500 deductible)	\$18,244,679
Contents (\$2,500 deductible)	3,031,282
Boiler and Machinery (\$3,500 deductible)	100,000,000
Flood & Earthquake per occurrence/aggregate	4,000,000
EDP Equipment	10,000,000
Automobile Liability (per occurrence)	1,000,000
Money and Securities (per occurrence)	500,000
Employee Benefits Liability	
Per occurrence	1,000,000
School Board Legal Liability (\$5,000 deductible)	5,000,000
General Liability	
Per occurrence	1,000,000
Aggregate per member	3,000,000
Excess Liability – (occurrence/aggregate per district)	5,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$55,689, \$60,377, and \$84,142, respectively; 50.40 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$243,927, \$249,870, and \$240,779, respectively; 84.28 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2012, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (the latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending upon their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll.

The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$3,289, \$3,885, and \$5,004, respectively; 50.40 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105I. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$9,915, \$15,906, and \$11,623, respectively; 50.40 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

9. POSTEMPLOYMENT BENEFITS (Continued)

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 both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$18,764, \$19,221, and \$18,521, respectively; 84.28 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

10. DEBT

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

	Amount Outstanding 6/30/2011	Additions	Deletions	Amount Outstanding 6/30/2012	Amount Due in One Year
Governmental Activities					
School Improvement Refunding Bonds:					
Serial Bonds 4.0%	\$1,655,000		(\$155,000)	\$1,500,000	\$160,000
Term Bonds 4.0%, 4.2%	1,785,000			1,785,000	
Capital Appreciation Bonds 4.25%, 4.33%	72,503	\$15,906		88,409	
Total School Improvement Refunding Bonds	<u>3,512,503</u>	<u>15,906</u>	<u>(155,000)</u>	<u>3,373,409</u>	<u>160,000</u>
School Improvement Bonds:					
Term Bonds 1-4.6%	1,860,000		(50,000)	1,810,000	50,000
Capital Appreciation Bonds 2.85%, 3.15%	16,042	8,015		24,057	
Total School Improvement Bonds	<u>1,876,042</u>	<u>8,015</u>	<u>(50,000)</u>	<u>1,834,057</u>	<u>50,000</u>
Total Debt	<u>\$5,388,545</u>	<u>\$23,921</u>	<u>(\$205,000)</u>	<u>\$5,207,466</u>	<u>\$210,000</u>

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

10. DEBT (Continued)

On October 4, 2007, Russia Local School District issued a total of \$3,544,998 in school improvement refunding general obligation bonds. Of the \$3,544,998 in refunding bonds, \$1,725,000 is serial bonds with a 4% interest rate with a final maturity on December 1, 2021. \$1,785,000 is term bonds (\$700,000 with a 4% interest rate maturing December 1, 2024 and \$1,085,000 with a 4.2% interest rate maturing December 1, 2028). \$34,998 is capital appreciation bonds (maturity amount of \$215,000 on December 1, 2019 and 2020). The capital appreciation bonds were accreted \$15,906 in fiscal year 2012.

On March 9, 2010, the School District issued a total of \$1,940,700 in School Improvement Bonds to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond proceeds were used to retire the bond anticipation notes which matured May 4, 2010. Of the \$1,940,700 in improvement bonds, \$1,930,000 is term bonds with interest rates ranging from 1% to 4.6% with the final maturity on December 1, 2037. The remaining \$10,700 is capital appreciation bonds (maturity amount of \$55,000 on December 1, 2015 and 2016). The term bonds are subject to mandatory sinking fund redemption. The capital appreciation bonds were accreted \$8,015 in fiscal year 2012.

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 210,000	\$ 202,697	\$ 412,697
2014	220,000	195,173	415,173
2015	225,000	187,347	412,347
2016	186,346	228,439	414,785
2017	194,353	223,032	417,385
2018-2022	944,998	1,212,300	2,157,298
2023-2027	1,555,000	485,462	2,040,462
2028-2032	980,000	178,340	1,158,340
2033-2037	510,000	86,512	596,512
2038	115,000	2,645	117,645
Total	\$5,140,697	\$3,001,947	\$8,142,644

11. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

11. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Capital Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:					
Food Service Operations				\$ 34,830	\$ 34,830
Classroom Maintenance				99,757	99,757
Athletics				2,386	2,386
Capital Improvements			\$350,330	132,972	483,302
Debt Service		\$770,768			770,768
Bus Purchases	\$ 3,342				3,342
Total Restricted	<u>3,342</u>	<u>770,768</u>	<u>350,330</u>	<u>269,945</u>	<u>1,394,385</u>
Assigned for:					
Unpaid Obligations	22,583				22,583
FY 12 Appropriations	1,122,554				1,122,554
Public School Support	1,429				1,429
Total Assigned	<u>1,146,566</u>				<u>1,146,566</u>
Unassigned	241,065				241,065
Total Fund Balance	<u>\$1,390,973</u>	<u>\$770,768</u>	<u>\$350,330</u>	<u>\$269,945</u>	<u>\$2,782,016</u>

12. SET-ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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 describes the change in the fiscal year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2011	(\$4,863,162)
Current Year Set-aside Requirement	85,186
Qualifying Disbursements	
Current Year Offset – Classroom facilities maintenance levy	(33,404)
Total	<u>(\$4,811,380)</u>
Excess Available to Carry-Over to Subsequent Year	<u>(\$4,811,380)</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks and instructional materials and capital acquisitions amounts below zero. These extra amounts of disbursements may be used to reduce the set-aside requirements in future fiscal years. For capital acquisitions, the amount carried forward is limited to the amount from debt proceeds.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

13. DONOR-RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor-restricted endowments. Net Assets-Endowments of \$3,000 represents the principal portion of the endowment. The amount of net appreciation in the donor-restricted investments that is available for expenditures for the governing body is \$11,721 and is included as net assets held in trust for scholarships. State law permits the governing body to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Western Ohio Computer Organization – The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$41,283 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council –The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 128 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2012, the School District paid \$65,588 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

**14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

Southwestern Ohio Instructional Technology Association – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2012, the School District paid \$895 SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium – The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2012, Russia Local School District contributed \$398,376 from the General Fund. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

**14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program
– The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2012, the School District paid \$20,425 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

15. CONTRACTUAL COMMITMENTS

At June 30, 2012, the School District had outstanding purchase orders as follows:

<u>Vendor</u>	<u>Amount Outstanding</u>
Four Seasons Environmental, Inc.	\$ 11,377
Reece-Campbell, Inc.	208,325
Quandel Goup, Inc.	10,740
Total	<u>\$230,442</u>

16. CONTINGENT LIABILITIES

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

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**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

This discussion and analysis of the Russia Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2011 are as follows:

- Net assets of governmental activities decreased 28% or \$1,804,361 from prior year.
- General revenues accounted for \$3,908,325 in revenue or 59 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions and interest, and capital grants and contributions accounted for \$2,732,596 or 41 percent of total revenues of \$6,640,921.
- Among major funds, the General Fund had \$3,718,632 in receipts and \$3,771,067 in disbursements. The General Fund's balance decreased \$37,935 from 2010.
- Voters of the School District approved a bond levy for \$3.58 mills on August 4, 2009. The levy is for 28 years and is anticipated to generate \$1,940,722.
- During fiscal year 2011, the School District continued its construction project under the State of Ohio Classroom Facilities Assistance Program. The project consists of the elementary renovation with approximately 5,000 square feet of new building. The State share of the project is \$4,988,156. Construction commenced in fiscal year 2010.
- For fiscal year 2011, the School District implemented GASB Statement No. 54. The implementation of this statement resulted in funds that were reported as special revenue funds to now be combined with the General Fund. Beginning fund balance in the General Fund was increased \$2,875 at the beginning of the fiscal year. See Note 15.

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 School District's cash basis of accounting.

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School 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 government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain 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 cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School 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 School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School 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 School District are split into two categories: governmental and fiduciary.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Governmental Funds – Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School 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 Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major 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 School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Capital Facilities Project Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2011 compared to fiscal year 2010 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2010	2011
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$6,495,818	\$4,691,457
Net Assets:		
Restricted for:		
Capital Projects	4,625,379	2,763,503
Debt Service	595,946	656,887
School Bus Purchases	6,942	3,342
Other Purposes	64,411	96,045
Unrestricted	1,203,140	1,171,680
Total Net Assets	\$6,495,818	\$4,691,457

As mentioned previously, net assets of governmental activities decreased \$1,804,361 during fiscal year 2011. Unrestricted net assets decreased \$31,460 as a result of general operating disbursements exceeding receipts. Disbursements relating to the capital facilities project contributed to the decrease in cash and net assets restricted for capital improvements.

Table 2 reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2010	Governmental Activities 2011
Receipts:		
Program Receipts:		
Charges for Services	\$ 526,699	\$ 537,598
Operating Grants and Contributions	439,834	422,206
Capital Grants and Contributions	3,148,168	1,772,792
Total Program Receipts	<u>4,114,701</u>	<u>2,732,596</u>
General Receipts:		
Property Taxes	1,203,065	1,319,676
Income Taxes	320,461	272,820
Grants and Entitlements Not Restricted to Specific Programs	2,275,724	2,287,124
Bonds and Notes Issued (includes premium)	3,935,749	
All Other Categories	34,425	28,705
Total General Receipts	<u>7,769,424</u>	<u>3,908,325</u>
Total Receipts	<u>11,884,125</u>	<u>6,640,921</u>
Disbursements:		
Instruction	2,607,074	2,640,119
Support Services:		
Pupils and Instructional Staff	205,291	210,492
Board of Education, Administration, Fiscal and Business	568,703	535,717
Operation and Maintenance of Plant	366,645	343,857
Pupil Transportation	149,015	170,386
Central	130,706	133,671
Operation of Non-Instructional Services	147,373	147,640
Extracurricular Activities	184,434	197,163
Capital Outlay	572,916	3,634,668
Debt Service	2,266,845	431,569
Total Disbursements	<u>7,199,002</u>	<u>8,445,282</u>
Increase (Decrease) in Net Assets	4,685,123	(1,804,361)
Net Assets, Beginning of Year	1,810,695	6,495,818
Net Assets, End of Year	<u>\$6,495,818</u>	<u>\$4,691,457</u>

Property taxes increased as a result of the approval of a bond levy for \$3.58 mills on August 4, 2009. The levy is for 28 years and is anticipated to generate \$1,940,722.

Grant monies received from the Ohio School Facilities Commission are shown with capital grants and contributions. The State share of the elementary renovation project is \$4,988,156.

Capital outlay disbursements are a result of the start of the capital facilities elementary renovation.

During fiscal year 2010, the School District issued temporary financing through bond anticipation notes to pay for the capital facilities project. The notes matured May 24, 2010, and were paid off with bond proceeds. The payoff of this note in 2010 caused the decrease in debt service disbursements from 2010 to 2011.

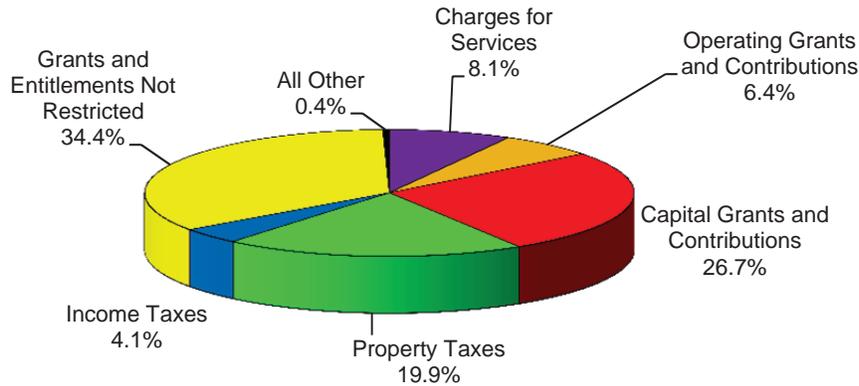
**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Governmental Activities

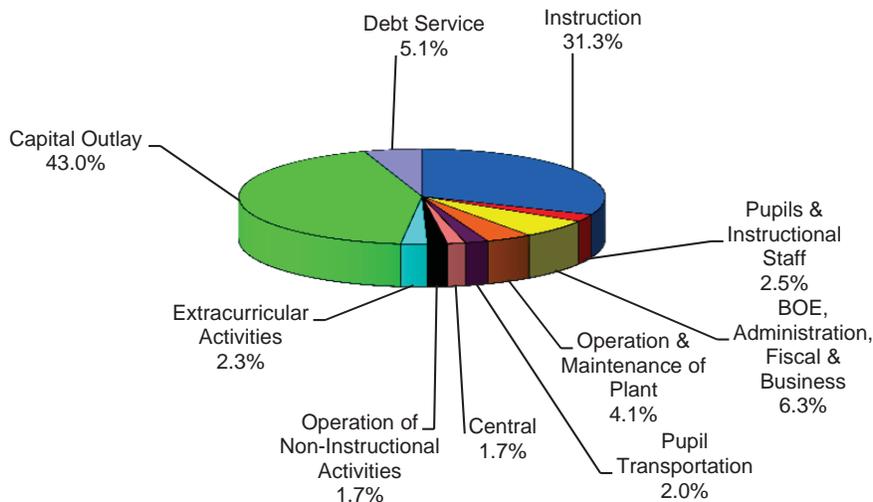
Grants and entitlements not restricted consists largely of state foundation monies. For 2011, grants and entitlements accounted for 34.4% of the School District's receipts, up from 19.1% for 2010. Capital grants and contributions make up 26.7% of receipts for fiscal year 2011 and consist of monies received from the Ohio School Facilities Commission for the renovation project.

Governmental Receipts



For fiscal year 2011, instruction made up 31.3% of disbursements. For 2010, instruction made up 36.2% of disbursements. Debt service jumped from 5.9% for fiscal year 2009 to 31.5% for fiscal year 2010 with the payoff of the bond anticipation notes and then fell to 5.1% in 2011. Capital outlay accounted for 43% of disbursements for fiscal year 2011 and 8% for 2010.

Governmental Disbursements



**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

If you look at the statement of activities on page 48, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2010	Net Cost of Services 2010	Total Cost Of Services 2011	Net Cost of Services 2011
Instruction	\$2,607,074	(\$2,017,939)	\$2,640,119	(\$2,095,085)
Support Services:				
Pupils and Instructional Staff	205,291	(195,941)	210,492	(204,531)
Board of Education, Administration, Fiscal and Business	568,703	(568,703)	535,717	(535,717)
Operation and Maintenance of Plant	366,645	(249,558)	343,857	(196,396)
Pupil Transportation	149,015	(117,831)	170,386	(131,234)
Central	130,706	(105,264)	133,671	(104,611)
Operation of Non-Instructional Services	147,373	(8,892)	147,640	(9,651)
Extracurricular Activities	184,434	(128,580)	197,163	(142,016)
Capital Outlay	572,916	2,575,252	3,634,668	(1,861,876)
Debt Service	2,266,845	(2,266,845)	431,569	(431,569)
Total Disbursements	<u>\$7,199,002</u>	<u>(\$3,084,301)</u>	<u>\$8,445,282</u>	<u>(\$5,712,686)</u>

The dependence upon state foundation and property and income tax receipts is apparent as the various programs require significant support from general receipts.

The School District's Funds

Total governmental funds had receipts of \$6,623,222 and disbursements of \$8,445,282.

The fund balance of the General Fund decreased \$37,935. The School District experienced increases in property taxes (due to the new levies) and income taxes; however, these increases were not able to offset the increase in expenses.

The fund balance of the Bond Retirement Fund increased \$60,941 as a result of receipts generated from property taxes exceeding debt payments.

The Capital Facilities Project fund balance decreased \$1,861,876 as a large portion of the OSFC monies for the elementary renovation were received in fiscal year 2010 and a large portion of construction was completed in 2011.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

General Fund Budgeting Highlights

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

For the General Fund, the final budget basis revenue estimate was \$3,645,550 which was the same as the original budgeted estimate. The final total appropriations of \$4,528,595 were the same as original appropriations. The School District closely monitored spending enabling the School District to spend \$738,310 less than the amount appropriated.

Capital Assets and Debt Administration

Capital Assets

The School District does not currently report its capital assets and infrastructure.

Debt

During fiscal year 2011, the School District paid off its building addition bond. The building addition bond was originally \$4,500,000. \$3,545,000 was advance refunded during fiscal year 2008.

In fiscal year 2008, \$3,544,998 in school improvement refunding bonds were issued to advance refund a portion of the building addition bonds, \$3,512,103 were outstanding at June 30, 2011. These bonds are made up of serial, term and capital appreciation bonds. The capital appreciation bonds were accreted \$13,044 in fiscal year 2011.

In fiscal year 2010, \$1,940,700 in school improvement bonds were issued to pay for the local share of construction under the State of Ohio Classroom Facilities Assistance Program. These bonds are made up of term and capital appreciation bonds. \$1,876,042 of these bonds remain outstanding at June 30, 2011.

**(Table 41)
Outstanding Debt at June 30,**

	2010	2011
Building Addition Bonds	\$ 115,000	
School Improvement Refunding Bonds	3,529,459	\$3,512,503
School Improvement Bonds	1,940,700	1,876,042
Total Debt	\$5,585,159	\$5,388,545

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

For more information on the School District's debt, see Note 10 of the Basic Financial Statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Current Issues

The School District received approval from the Ohio School Facilities Commission (OSFC) of the 2nd phase of the complete renovation and construction project that began with the 1st phase in 2003. The OSFC assessed and evaluated the School District's current facility. The recommendations from the OSFC included many needed repairs, renovations and some additional space. As a result of this recommendation, the School District asked the voters to approve a bond levy. On August 4, 2009, the voters of Russia Local School District approved a bond levy for 3.58 mills. The levy is for 28 years and will generate \$1,940,740. The levy proceeds are being used to pay for the bonds for the local portion of the Ohio School Facilities Commission (OSFC) project. The project consists of the elementary renovation with approximately 5,000 square feet of new building. The State share of the project is \$4,988,156. The bonds issued were rated AA- by Standard and Poor's.

On November 3, 2009, the voters of Russia Local School District also approved a replacement operating levy for 8 mills. The levy is for five years.

In conclusion, the Russia Local School District continues to be committed to financial as well as educational excellence. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jean Borchers, Treasurer at Russia Local School District, 100 School Street, Russia, OH 45363.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$4,691,457</u></u>
Net Assets:	
Restricted for:	
Capital Projects	2,763,503
Debt Service	656,887
School Bus Purchases	3,342
Other Purposes	96,045
Unrestricted	<u>1,171,680</u>
Total Net Assets	<u><u>\$4,691,457</u></u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$2,100,956	\$356,090	\$10,484		(\$1,734,382)
Special	531,820	3,004	175,456		(353,360)
Student Intervention Services	7,343				(7,343)
Support Services:					
Pupil	93,726	2,431	3,080		(88,215)
Instructional Staff	116,766		450		(116,316)
Board of Education	7,722				(7,722)
Administration	374,129				(374,129)
Fiscal	153,392				(153,392)
Business	474				(474)
Operation and Maintenance of Plant	343,857	8,650	138,811		(196,396)
Pupil Transportation	170,386	10,836	28,316		(131,234)
Central	133,671		29,060		(104,611)
Operation of Non-Instructional Services	147,640	106,712	31,277		(9,651)
Extracurricular Activities	197,163	49,875	5,272		(142,016)
Capital Outlay	3,634,668			\$1,772,792	(1,861,876)
Principal Retirement	215,000				(215,000)
Interest and Fiscal Charges	216,569				(216,569)
Total Governmental Activities	\$8,445,282	\$537,598	\$422,206	\$1,772,792	(5,712,686)
General Receipts:					
Property Taxes Levied for:					
General Purposes					890,330
Debt Service					411,649
Other Purposes					17,697
Income Taxes Levied for General Purposes					272,820
Grants and Entitlements not Restricted to Specific Programs					2,287,124
Sale of Capital Assets					1,972
Gifts and Donations not Restricted to Specific Programs					2,037
Interest					226
Miscellaneous					24,470
Total General Cash Receipts					3,908,325
Change in Net Assets					(1,804,361)
Net Assets Beginning of Year					6,495,818
Net Assets End of Year					\$4,691,457

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Bond Retirement</u>	<u>Capital Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,171,680	\$656,887	\$2,627,247	\$232,301	\$4,688,115
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	3,342				3,342
Total Assets	<u>1,175,022</u>	<u>656,887</u>	<u>2,627,247</u>	<u>232,301</u>	<u>4,691,457</u>
Fund Balances:					
Restricted	3,342	656,887	2,627,247	232,301	3,519,777
Assigned	1,171,680				1,171,680
Total Fund Balances	<u>\$1,175,022</u>	<u>\$656,887</u>	<u>\$2,627,247</u>	<u>\$232,301</u>	<u>\$4,691,457</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Bond Retirement</u>	<u>Capital Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$890,330	\$411,649		\$17,697	\$1,319,676
Income Taxes	272,820				272,820
Intergovernmental	2,173,263	87,135	\$1,753,926	443,014	4,457,338
Interest	226		18,766		18,992
Tuition and Fees	356,462				356,462
Extracurricular Activities	14,751			43,838	58,589
Contributions and Donations	2,683			5,272	7,955
Charges for Services				106,712	106,712
Miscellaneous	8,097		100	16,481	24,678
Total Receipts	<u>3,718,632</u>	<u>498,784</u>	<u>1,772,792</u>	<u>633,014</u>	<u>6,623,222</u>
Disbursements:					
Current:					
Instruction:					
Regular	2,070,818			30,138	2,100,956
Special	376,217			155,603	531,820
Student Intervention Services	7,343				7,343
Support Services:					
Pupil	93,726				93,726
Instructional Staff	113,642			3,124	116,766
Board of Education	7,722				7,722
Administration	374,129				374,129
Fiscal	143,649	9,341		402	153,392
Business	474				474
Operation and Maintenance of Plant	202,029			141,828	343,857
Pupil Transportation	126,073			44,313	170,386
Central	104,610			29,061	133,671
Operation of Non-Instructional Services	4,624			143,016	147,640
Extracurricular Activities	146,011			51,152	197,163
Capital Outlay			3,634,668		3,634,668
Debt Service:					
Principal Retirement		215,000			215,000
Interest and Fiscal Charges		216,569			216,569
Total Disbursements	<u>3,771,067</u>	<u>440,910</u>	<u>3,634,668</u>	<u>598,637</u>	<u>8,445,282</u>
Excess of Receipts Over (Under) Disbursements	<u>(52,435)</u>	<u>57,874</u>	<u>(1,861,876)</u>	<u>34,377</u>	<u>(1,822,060)</u>
Other Financing Sources (Uses):					
Refund of Prior Year Expenditures	12,528	3,067		132	15,727
Proceeds from Sale of Capital Assets	1,972				1,972
Total Other Financing Sources (Uses)	<u>14,500</u>	<u>3,067</u>		<u>132</u>	<u>17,699</u>
Net Change in Fund Balances	(37,935)	60,941	(1,861,876)	34,509	(1,804,361)
Fund Balances Beginning of Year - Restated (Note 15)	<u>1,212,957</u>	<u>595,946</u>	<u>4,489,123</u>	<u>197,792</u>	<u>6,495,818</u>
Fund Balances End of Year	<u>\$1,175,022</u>	<u>\$656,887</u>	<u>\$2,627,247</u>	<u>\$232,301</u>	<u>\$4,691,457</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$850,900	\$850,900	\$890,330	\$39,430
Income Taxes	300,000	300,000	272,820	(27,180)
Intergovernmental	2,125,000	2,125,000	2,173,263	48,263
Interest	3,000	3,000	226	(2,774)
Tuition and Fees	345,250	345,250	356,462	11,212
Extracurricular Activities	2,400	2,400	12,320	9,920
Contributions and Donations	2,000	2,000	2,237	237
Rentals	200	200		(200)
Miscellaneous	16,800	16,800	8,097	(8,703)
Total Receipts	<u>3,645,550</u>	<u>3,645,550</u>	<u>3,715,755</u>	<u>70,205</u>
Disbursements				
Current:				
Instruction:				
Regular	2,129,901	2,129,901	2,072,900	57,001
Special	430,810	430,810	379,287	51,523
Student Intervention Services	9,600	9,600	7,343	2,257
Support Services:				
Pupils	105,400	105,400	91,731	13,669
Instructional Staff	127,050	127,050	113,642	13,408
Board of Education	9,900	9,900	7,722	2,178
Administration	399,817	399,817	376,100	23,717
Fiscal	171,472	171,472	143,649	27,823
Business	1,000	1,000	474	526
Operation and Maintenance of Plant	348,361	348,361	210,306	138,055
Pupil Transportation	188,009	188,009	131,986	56,023
Central	119,875	119,875	104,610	15,265
Operation of Non-Instructional Services	15,000	15,000	4,524	10,476
Extracurricular Activities	172,400	172,400	146,011	26,389
Total Disbursements	<u>4,228,595</u>	<u>4,228,595</u>	<u>3,790,285</u>	<u>438,310</u>
Excess of Receipts Over (Under) Disbursements	<u>(583,045)</u>	<u>(583,045)</u>	<u>(74,530)</u>	<u>508,515</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures			12,528	12,528
Proceeds from Sale of Capital Assets			1,972	1,972
Other Financing Uses	(300,000)	(300,000)		300,000
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>14,500</u>	<u>314,500</u>
Net Change in Fund Balances	(883,045)	(883,045)	(60,030)	823,015
Fund Balance at Beginning of Year	1,172,163	1,172,163	1,172,163	
Prior Year Encumbrances Appropriated	37,926	37,926	37,926	
Fund Balance at End of Year	<u>\$327,044</u>	<u>\$327,044</u>	<u>\$1,150,059</u>	<u>\$823,015</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$9,273	\$30,255
Net Assets:		
Held for Students		30,255
Held in Trust for Scholarships:		
Expendable	6,273	
Non-expendable	3,000	
Total Net Assets	\$9,273	\$30,255

See accompanying notes to the basic financial statements.

RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust</u>
Additions:	
Miscellaneous	<u>\$31,322</u>
Deductions:	
Scholarships	<u>31,795</u>
Change in Net Assets	(473)
Net Assets - Beginning of Year	<u>9,746</u>
Net Assets - End of Year	<u><u>\$9,273</u></u>

See accompanying notes to the basic financial statements.

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**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. REPORTING ENTITY

Russia Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District's instructional/support facilities is staffed by 24 non-certificated employees, 36 certificated teaching personnel and 2 administrative employees to provide services to 498 students. It currently operates one instructional building.

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

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Russia Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Western Ohio Computer Organization (WOCO)
Southwestern Ohio Educational Purchasing Council (SOEPC)
Southwestern Ohio Instructional Technology Association (SOITA)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

1. REPORTING ENTITY (Continued)

Shelby County Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and
Liability Insurance Program

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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 cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School 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.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental activities (primarily those supported through taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District does not have any business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School 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 cash basis or draws from the School District's general receipts.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

Capital Facilities Project Fund – The Capital Facilities Project Capital Projects Fund accounts for the State share and the Local share of the Ohio School Facilities Commission project and the related expenses. The School District is renovating its elementary building.

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School 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 this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain 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. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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 two digit function level for the General Fund and the Bond Retirement Debt Service Fund and at the fund level for all other funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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 statement 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 statement reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriation resolution is subject to amendment throughout the fiscal 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 School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. 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 fiscal year 2011, the School District invested in certificates of deposit and INVESCO STIT Government & Agency Portfolio Mutual Fund, which are reported at cost.

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 fiscal year 2011 was \$226, which included \$96 assigned from other School 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. Restricted assets represent amounts required by State statute to be set aside for the purchase of buses.

G. Inventory and Prepaid Items

The School 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. 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 School District's cash basis of accounting.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The School District's 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.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School 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. The School District did not have any net assets restricted by enabling legislation at June 30, 2011.

M. Fund Balance

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

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

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

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

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

N. 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. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

O. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

3. 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 cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as committed or assigned fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis	(\$37,935)
Encumbrances	(22,313)
Perspective Differences	218
Budgetary Basis	<u><u>(\$60,030)</u></u>

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim deposits 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to 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 or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$3,858,263. Cash balances per the bank were \$3,979,684. \$1,660,300 of the School District's deposits was insured by Federal depository insurance. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of June 30, 2011, \$2,319,384 of the School District's bank balance of \$3,979,684 was exposed to custodial risk and was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the School District's name.

B. Investments

The School District had an investment with INVESCO STIT Government & Agency Portfolio Mutual Fund of \$872,722 at June 30, 2011.

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices. The average weighted maturity for INVESCO STIT Government & Agency Portfolio is 34.91 days.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The INVESCO STIT Government & Agency Portfolio mutual fund is rated AAAM.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District's entire investment is with INVESCO STIT Government & Agency Portfolio mutual fund.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. PROPERTY TAXES

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

Real property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied against local inter-change telephone companies in the prior calendar year on assessed values as of December 31, of that calendar year, at tax rates determined in the preceding year. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The percentages for telecommunications were reduced from 5 percent for 2010 to zero percent for 2011.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$37,156,980	96.03%	\$37,508,920	95.88%
Public Utility Personal	1,520,540	3.93	1,613,780	4.12
Tangible Personal Property	14,040	0.04		0.00
Total	<u>\$38,691,560</u>	<u>100.00%</u>	<u>\$39,122,700</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	46.03		46.03	

6. INCOME TAXES

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracted with Arthur Gallagher Risk Management Services, Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building (\$2,500 deductible)	\$11,560,874
Contents (\$2,500 deductible)	2,765,051
Boiler and Machinery (\$3,500 deductible)	100,000,000
Flood & Earthquake per occurrence/aggregate	4,000,000
EDP Equipment	10,000,000
Automobile Liability (per occurrence)	1,000,000
Money and Securities (per occurrence)	500,000
Employee Benefits Liability	
Per occurrence	1,000,000
School Board Legal Liability (\$5,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate per member	3,000,000
Excess Liability – (occurrence/aggregate per district)	5,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2011, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent of annual covered salary. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$60,377, \$84,142, and \$54,143, respectively; 46.82 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$249,870, \$240,779, and \$234,806, respectively; 83.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2011, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,885, \$5,004, and \$4,467, respectively; 46.82 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2011, 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 School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$15,906, \$11,623, and \$33,582, respectively; 46.82 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$19,221, \$18,521, and \$18,062, respectively; 83.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

10. DEBT

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

	<u>Amount Outstanding 6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2011</u>	<u>Amount Due in One Year</u>
Governmental Activities:					
Building Addition Bonds 5.47%	\$115,000		(\$115,000)		
School Improvement Refunding Bonds:					
Serial Bonds 4.0%	1,685,000		(30,000)	\$1,655,000	\$155,000
Term Bonds 4.0%, 4.2%	1,785,000			1,785,000	
Capital Appreciation Bonds 4.25%, 4.33%	59,459	\$13,044		72,503	
Total School Improvement Refunding Bonds	<u>3,529,459</u>	<u>13,044</u>	<u>(30,000)</u>	<u>3,512,503</u>	<u>155,000</u>
School Improvement Bonds:					
Term Bonds 1-4.6%	1,930,000		(70,000)	1,860,000	50,000
Capital Appreciation Bonds 2.85%, 3.15%	10,700	5,342		16,042	
Total School Improvement Bonds	<u>1,940,700</u>	<u>5,342</u>	<u>(70,000)</u>	<u>1,876,042</u>	<u>50,000</u>
Total Debt	<u>\$5,585,159</u>	<u>\$18,386</u>	<u>(\$215,000)</u>	<u>\$5,388,545</u>	<u>\$205,000</u>

On May 9, 2001, Russia Local School District issued \$4,500,000 in voted general obligation bonds for the purpose of an addition and improvement to the building. The bonds were originally issued for a 28 year period with final maturity on December 1, 2028, with an interest rate of 5.47%. A portion of these bonds were refunded in 2007. The bonds were paid from the Debt Service Fund.

On October 4, 2007, Russia Local School District issued a total of \$3,544,998 in school improvement refunding general obligation bonds. Of the \$3,544,998 in refunding bonds, \$1,725,000 is serial bonds with a 4% interest rate with a final maturity on December 1, 2021. \$1,785,000 is term bonds (\$700,000 with a 4% interest rate maturing December 1, 2024 and \$1,085,000 with a 4.2% interest rate maturing December 1, 2028). \$34,998 is capital appreciation bonds (maturity amount of \$215,000 on December 1, 2019 and 2020). The capital appreciation bonds were accreted \$13,044 in fiscal year 2011.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. DEBT (Continued)

On March 9, 2010, the School District issued a total of \$1,940,700 in School Improvement Bonds to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond proceeds were used to retire the bond anticipation notes which matured May 4, 2010. Of the \$1,940,700 in improvement bonds, \$1,930,000 is term bonds with interest rates ranging from 1% to 4.6% with the final maturity on December 1, 2037. The remaining \$10,700 is capital appreciation bonds (maturity amount of \$55,000 on December 1, 2015 and 2016). The term bonds are subject to mandatory sinking fund redemption. The capital appreciation bonds were accreted \$5,342 in fiscal year 2011.

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 205,000	\$ 209,710	\$ 414,710
2013	210,000	202,697	412,697
2014	220,000	195,173	415,173
2015	225,000	187,348	412,348
2016	186,346	228,439	414,785
2017-2021	864,351	1,229,207	2,093,558
2022-2026	1,490,000	579,208	2,069,208
2027-2031	1,230,000	260,140	1,490,140
2032-2036	490,000	109,272	599,272
2037	225,000	10,465	235,465
Total	<u>\$5,345,697</u>	<u>\$3,211,659</u>	<u>\$8,557,356</u>

11. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Capital Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:					
Food Service Operations				\$ 28,359	\$ 28,359
Classroom Maintenance				66,799	66,799
Athletics				886	886
Capital Improvements			\$2,627,247	136,257	2,763,504
Debt Service		\$656,887			656,887
Bus Purchases	\$ 3,342				3,342
Total Restricted	<u>3,342</u>	<u>656,887</u>	<u>2,627,247</u>	<u>232,301</u>	<u>3,519,777</u>
Assigned for:					
Unpaid Obligations	22,313				22,313
FY 12 Appropriations	1,147,131				1,147,131
Public School Support	2,236				2,236
Total Assigned	<u>1,171,680</u>				<u>1,171,680</u>
Total Fund Balance	<u>\$1,175,022</u>	<u>\$656,887</u>	<u>\$2,627,247</u>	<u>\$232,301</u>	<u>\$4,691,457</u>

12. SET-ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount 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. In prior years, the School District was also required to set aside money for budget stabilization.

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

	Textbooks and Instructional Material	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2010	(\$14,123)	(\$4,867,842)
Current Year Set-aside Requirement	72,887	72,887
Qualifying Disbursements	(77,953)	(68,207)
Total	<u>(\$19,189)</u>	<u>(\$4,863,162)</u>
Excess Available to Carry-Over to Subsequent Year	<u>(\$19,189)</u>	<u>(\$4,863,162)</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks and instructional materials and capital acquisitions amounts below zero. These extra amounts of disbursements may be used to reduce the set-aside requirements in future fiscal years. For capital acquisitions, the amount carried forward is limited to the amount from debt proceeds.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

13. DONOR-RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor-restricted endowments. Net Assets-Endowments of \$3,000 represents the principal portion of the endowment. The amount of net appreciation in the donor-restricted investments that is available for expenditures for the governing body is \$6,273 and is included as net assets held in trust for scholarships. State law permits the governing body to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$40,511 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 128 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2011, the School District paid \$60,101 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2011, the School District paid \$470 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2011, Russia Local School District contributed \$542,596 from the General Fund. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)**

Southwestern Ohio Purchasing Educational Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2011, the School District paid \$19,897 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

15. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned. The restatement had the following effect on fund balance:

	<u>General</u>	<u>Bond Retirement</u>	<u>Capital Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance June 30, 2010	\$1,210,082	\$595,946	\$4,489,123	\$200,667	\$6,495,818
Change in Fund Structure	2,875			(2,875)	
Adjusted Fund Balance June 30, 2010	<u>\$1,212,957</u>	<u>\$595,946</u>	<u>\$4,489,123</u>	<u>\$197,792</u>	<u>\$6,495,818</u>

16. CONTRACTUAL COMMITMENTS

At June 30, 2011, the School District had outstanding purchase orders as follows:

<u>Vendor</u>	<u>Amount Outstanding</u>
JMC Mechanical	\$ 394,720
Reece-Campbell, Inc.	1,037,396
Quandel Goup, Inc.	93,638
Regal Plumbing & Heating	95,624
Sollmann Electric Co.	499,768
Total	<u>\$2,121,146</u>

17. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

18. SUBSEQUENT EVENT

House Bill 30 eliminated the requirement to put money into the set-aside for textbooks and instructional materials. It was effective July 1, 2011.

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Dave Yost • Auditor of State

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

Russia Local School District
Shelby County
100 School Street
Russia, Ohio 45363

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Russia Local School District, Shelby County, (the District) as of and for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 11, 2013, wherein we noted the District used a comprehensive basis of accounting other than generally accepted accounting principles and the District adopted governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Education, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 11, 2013

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Finding for Recovery Repaid Under Audit – ORC 117.01(C) – Athletic receipts collected but not deposited	Yes	\$117 was repaid on 12/22/10

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Dave Yost • Auditor of State

RUSSIA LOCAL SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 7, 2013**