

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

For the Fiscal Year Ended June 30, 2014





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Reynoldsburg City School District, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 10, 2015

This page intentionally left blank.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

TABLE OF CONTENTS

JUNE 30, 2014

	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion & Analysis.....	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	15
Statement of Activities – Modified Cash Basis	16
Fund Financial Statements	
Balance Sheet – Modified Cash Basis – Governmental Funds.....	18
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities – Modified Cash Basis.....	21
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances– Modified Cash Basis – Governmental Funds	22
Reconciliation of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Governmental Funds to the Statement of Activities – Modified Cash Basis	24
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	25
Statement of Net Position – Modified Cash Basis – Proprietary Funds	26
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Position– Modified Cash Basis – Proprietary Funds.....	27
Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds.....	28
Statement of Changes in Fiduciary Net Position– Modified Cash Basis – Fiduciary Funds.....	29
Notes to the Basic Financial Statements.....	31
Federal Awards Receipts and Expenditures Schedule	66
Notes to the Federal Awards Receipts and Expenditures Schedule	67
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required Government Auditing Standards.....	68
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Programs and on Internal Control Over Compliance Required by OMB Circular A-133	70
Schedule of Findings.....	72
Summary Schedule of Prior Audit Findings.....	74

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, Ohio, as of June 30, 2014, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities, and major fund activity. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Kennedy Cottrell Richards LLC
February 25, 2015

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

This discussion and analysis of the Reynoldsburg City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2014, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year are as follows:

- Net Position of the District increased by approximately \$5.2 million, or 16.1%, in comparison with the prior fiscal year. The funds most affected by the increase in cash and cash equivalents were the Capital Projects Fund and the Self-Insurance Internal Service Fund.
- The District's general receipts are primarily property taxes and unrestricted grants and entitlements. These receipts represent respectively 27.5% and 30.6% of the total cash received for Governmental activities during the year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was approximately \$9.5 million.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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

Reporting the District as a Whole

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

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

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

Reporting the District's Most Significant Funds

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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

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

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

District-wide Financial Analysis

The table below provides a summary of the District's net position for 2014 and 2013 on the modified cash basis.

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets			
Cash and Investments	\$ 37,643,827	\$ 32,413,800	16.14%
Total Assets	<u>37,643,827</u>	<u>32,413,800</u>	16.14%
Net Position			
Restricted	13,654,322	13,412,127	1.81%
Unrestricted	23,989,505	19,001,673	26.25%
Total Net Position	<u>\$ 37,643,827</u>	<u>\$ 32,413,800</u>	16.14%

The significant increase in unrestricted net position is the result of receipts exceeding disbursements in the District's Capital Projects Fund and Self-Insurance Internal Service Fund.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The table below shows the change in net position on the modified cash basis for fiscal years 2014 and 2013.

	<u>2014</u>	<u>2013</u>	<u>Percent Change</u>
Program Receipts			
Charges for Services and Sales	\$ 4,588,174	\$ 3,940,989	16.42%
Operating Grants and Contributions	8,174,175	6,674,836	22.46%
General Receipts			
Property Taxes	29,912,577	29,506,214	1.38%
Income Taxes	4,724,184	4,648,874	1.62%
Payment in Lieu of Taxes	1,648,423	2,011,185	-18.04%
Grants and Entitlements	33,273,069	30,624,716	8.65%
Restricted Grants and Entitlements for OFCC	-	485,454	-100.00%
Sale of bonds and related premium	25,758,320	-	100.00%
Investment Earnings	26,874	44,798	-40.01%
Miscellaneous	751,418	677,336	10.94%
Total Receipts	<u>108,857,214</u>	<u>78,614,402</u>	38.47%
Program Disbursements			
Instructional	37,940,418	35,457,365	7.00%
Support Services	24,563,628	23,192,866	5.91%
Non-instructional	3,947,649	3,132,881	26.01%
Extracurricular Activities	909,795	890,176	2.20%
Facilities Acquisition and Construction	280,598	7,471,729	-96.24%
Debt Service			
Principal	25,650,000	3,960,000	547.73%
Interest and Fiscal Charges	4,959,924	5,046,251	-1.71%
SWAP Termination Payment	4,178,320	-	100.00%
Repayment of Debt Judgements	1,196,855	-	100.00%
Total Disbursements	<u>103,627,187</u>	<u>79,151,268</u>	30.92%
Change in Net Position	<u>5,230,027</u>	<u>(536,866)</u>	
Net Position at Beginning of Year	<u>32,413,800</u>	<u>32,950,666</u>	
Net Position at End of Year	<u>\$ 37,643,827</u>	<u>\$ 32,413,800</u>	

The significant increase in Charges for Services and Sales is primarily the result of an increase in open enrollment receipts from the Ohio Department of Education.

The significant decrease in Facilities Acquisition and Construction disbursements are the result of the “winding down” of the District’s Classroom Facilities Project.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The significant increase in Sale of bonds and related premium and principal payments is the result of the District issuing \$21,580,000 in refunding bonds during the fiscal year.

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

	<u>Total Cost of Services 2014</u>	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2014</u>	<u>Net Cost of Services 2013</u>
Program expenses				
Instructional	\$ 37,940,418	\$ 35,457,365	\$ 31,537,969	\$ 30,474,704
Support Services	24,563,628	23,192,866	22,933,245	21,950,529
Non-instructional	3,947,649	3,132,881	(37,660)	(464,073)
Extracurricular Activities	909,795	890,176	165,587	96,303
Facilities Acquisition and Construction	280,598	7,471,729	280,598	7,471,729
Debt Service				
Principal	25,650,000	3,960,000	25,650,000	3,960,000
Interest and Fiscal Charges	4,959,924	5,046,251	4,959,924	5,046,251
SWAP Termination Payment	4,178,320	-	4,178,320	-
Repayment of Debt Judgements	1,196,855	-	1,196,855	-
Total	<u>\$ 103,627,187</u>	<u>\$ 79,151,268</u>	<u>\$ 90,864,838</u>	<u>\$ 68,535,443</u>

The dependence upon tax and other general revenues is apparent, as 83.1 percent of instructional activities are supported through taxes and other general revenues. For all Governmental activities, general revenue support is 87.7 percent. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District's students.

The District's Funds

The District's Governmental funds reported a combined fund balance of approximately \$29.3 million.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	<u>Fund Balance June 30, 2014</u>	<u>Restated Fund Balance June 30, 2013</u>	<u>Increase/ (Decrease)</u>
Major Funds:			
General	\$ 10,466,543	\$ 11,985,137	\$ (1,518,594)
Debt Service	3,981,016	3,827,763	153,253
Building	2,815,948	2,974,174	(158,226)
Classroom Facilities	3,440,760	3,564,306	(123,546)
Capital Projects Fund	5,800,602	2,108,860	3,691,742
Other Governmental Funds	2,812,899	2,625,386	187,513
Total	<u>\$ 29,317,768</u>	<u>\$ 27,085,626</u>	<u>\$ 2,232,142</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

General Fund

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

	2014	2013	Percentage Change
<u>Receipts:</u>			
Taxes	\$ 26,267,374	\$ 25,738,956	2.05%
Payment in Lieu of Taxes	1,635,577	1,994,796	-18.01%
Charges for Services	646,290	829,545	-22.09%
Tuition and Fees	2,789,975	1,752,282	59.22%
Earnings on Investments	14,308	8,984	59.26%
Intergovernmental	32,115,980	29,492,389	8.90%
Extracurricular	82,604	124,980	-33.91%
Other	489,781	199,683	145.28%
Total Receipts	<u>64,041,889</u>	<u>60,141,615</u>	6.49%
<u>Disbursements:</u>			
Instruction	35,777,333	33,323,978	7.36%
Support Services	21,900,514	21,731,453	0.78%
Other Non-Instructional Services	378,861	66,733	467.73%
Extracurricular Activities	291,523	333,344	-12.55%
Debt Service	1,196,855	-	100.00%
Total Disbursements	<u>59,545,086</u>	<u>55,455,508</u>	7.37%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>4,496,803</u>	<u>4,686,107</u>	-4.04%
<u>Other Financing Sources (Uses):</u>			
Sale of Capital Assets	31,349	31,060	0.93%
Transfer In/Out	(6,107,451)	(2,162,482)	182.43%
Advance In/Out	60,705	4,000	1417.63%
Net Change in Fund Balance	<u>\$ (1,518,594)</u>	<u>\$ 2,558,685</u>	-159.35%

The significant increase in Tuition and Fees is primarily the result of an increase in open enrollment receipts from the Ohio Department of Education.

The significant increase in transfers out represents funds set aside for future capital acquisition and construction projects.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Debt Service Fund

During the fiscal year, the District's debt service fund balance increased by \$153,253. The table that follows assists in illustrating the financial activities of the debt service fund.

	2014	2013	Percentage Change
<u>Receipts</u>			
Taxes	\$ 8,074,718	\$ 8,118,899	-0.54%
Payment in Lieu of Taxes	12,393	15,811	-21.62%
Intergovernmental	1,157,090	1,132,904	2.13%
Other	-	20,000	-100.00%
Total Receipts	<u>9,244,201</u>	<u>9,287,614</u>	-0.47%
<u>Disbursements:</u>			
Fiscal	61,024	139,349	-56.21%
Debt Service:			
Principal Retirement	25,650,000	3,960,000	547.73%
Interest and Fiscal Charges	4,959,924	5,046,251	-1.71%
SWAP Termination Payment	4,178,320	-	100.00%
Total Disbursements	<u>34,849,268</u>	<u>9,145,600</u>	281.05%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(25,605,067)</u>	<u>142,014</u>	-18129.96%
<u>Other Financing Sources (Uses):</u>			
Sale of Bonds	21,580,000	-	100.00%
Premium on Sale of Bonds	4,178,320	-	100.00%
Net Change in Fund Balance	<u>\$ 153,253</u>	<u>\$ 142,014</u>	7.91%

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

The significant increases in Sale of bonds, Premium on Sale of Bonds, Principal Retirement, and SWAP Termination Payment is the result of the District issuing \$21,580,000 in refunding bonds during the fiscal year and terminating the correlating interest rate swap agreement with Dexia.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Building Fund

During the fiscal year, the District's building fund balance decreased by \$158,226. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
<u>Receipts:</u>			
Earnings on Investments	\$ 6,735	\$ 21,089	-68.06%
Other Local Revenues	310	40	675.00%
Total Receipts	<u>7,045</u>	<u>21,129</u>	-66.66%
<u>Disbursements:</u>			
Regular Instruction	-	407,102	-100.00%
Fiscal	4,728	8,285	-42.93%
Business	5,504	67,098	-91.80%
Operations and Maintenance	-	7,700	-100.00%
Extracurricular Activities	-	788	-100.00%
Facilities Acquisition and Construction	155,039	2,948,132	-94.74%
Total Disbursements	<u>165,271</u>	<u>3,439,105</u>	-95.19%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(158,226)</u>	<u>(3,417,976)</u>	-95.37%
Net Change in Fund Balance	<u>\$ (158,226)</u>	<u>\$ (3,417,976)</u>	-95.37%

The significant decrease in Facilities Acquisition and Construction disbursements are the result of the "winding down" of the District's Classroom Facilities Project.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Classroom Facilities Fund

During the fiscal year, the District's classroom facilities fund balance decreased by \$123,546. The table that follows assists in illustrating the financial activities of the classroom facilities fund:

	2014 Amount	2013 Amount	Percentage Change
<u>Receipts:</u>			
Earnings on Investments	\$ 5,350	\$ 14,245	-62.44%
Intergovernmental - State	-	485,454	-100.00%
Total Receipts	<u>5,350</u>	<u>499,699</u>	-98.93%
<u>Disbursements:</u>			
Fiscal	3,337	5,659	-41.03%
Facilities Acquisition and Construction	125,559	4,512,097	-97.22%
Total Disbursements	<u>128,896</u>	<u>4,517,756</u>	-97.15%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(123,546)</u>	<u>(4,018,057)</u>	-96.93%
Net Change in Fund Balance	<u>\$ (123,546)</u>	<u>\$ (4,018,057)</u>	-96.93%

The significant decrease in Facilities Acquisition and Construction disbursements are the result of the "winding down" of the District's Classroom Facilities Project.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Capital Projects Fund

During the fiscal year, the District's capital projects fund balance increased approximately \$3.7 million. The table that follows assists in illustrating the financial activities of the classroom facilities fund:

	2014	2013	Percentage Change
<u>Disbursements:</u>			
Regular Instruction	574,069	53,935	964.37%
Instructional Staff	336,584	-	100.00%
Central	363,895	-	100.00%
Total Disbursements	<u>1,274,548</u>	<u>53,935</u>	2263.12%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(1,274,548)</u>	<u>(53,935)</u>	2263.12%
<u>Other Financing Sources:</u>			
Transfers In/Out	4,966,290	2,078,112	138.98%
Total Other Financing Sources	<u>4,966,290</u>	<u>2,078,112</u>	138.98%
Net Change in Fund Balance	<u>\$ 3,691,742</u>	<u>\$ 2,024,177</u>	82.38%

This significant increase in fund balance represents the amount in which general fund transfers in exceeded construction disbursements during the fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

General Fund Budgetary Highlights

The variance between the original budget, final budget, and actual budget basis receipts and other financing sources was insignificant.

The District's final appropriations and other financing uses exceeded the original appropriations and other financing uses by approximately \$7.9 million. This was the result of the increase in amount appropriated for transfers. The variance between the final budget, and actual budget basis expenditures and other financing uses was insignificant.

Debt

At the end of the fiscal year, the District had total long-term debt outstanding of approximately \$100.5 million, a decrease of approximately \$3.8 million in comparison with the prior fiscal year. This decrease is the result of current year principal payments of approximately \$25.7 million, offset by current year accretion of \$261,468 and new refunding bonds issued of approximately \$21.6 million.

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

Component Units

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

Contacting the District's Financial Management

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

-This page was intentionally left blank-

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF JUNE 30, 2014

	Primary Government	Component Units		
	Governmental Activities	Virtual Community School	Everest High School	Brookwood Academy
Assets				
Cash and Cash Equivalents	\$ 33,670,274	\$ 688,804	\$ 745,357	\$ 13,116
Investments	3,973,553	-	-	-
Total Assets	<u>37,643,827</u>	<u>688,804</u>	<u>745,357</u>	<u>13,116</u>
Net Position				
Restricted for:				
Library Support Endowment	25,451	-	-	-
Debt Service	3,981,016	-	-	-
Capital Projects	7,524,897	-	-	-
Food Service	520,336	-	-	-
Locally Funded Programs	190,891	5,015	-	-
District Managed Student Activities	179,761	-	-	-
State Funded Programs	145,781	27	-	-
Federally Funded Programs	45,050	192,776	266	2,284
Classroom Facilities Maintenance	1,041,139	-	-	-
Other Purposes	-	-	-	219
Unrestricted	<u>23,989,505</u>	<u>490,986</u>	<u>745,091</u>	<u>10,613</u>
Total Net Position	<u>\$ 37,643,827</u>	<u>\$ 688,804</u>	<u>\$ 745,357</u>	<u>\$ 13,116</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Program Receipts			Net (Disbursement) Receipt and Changes in Net Position
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 29,220,210	\$ 2,320,676	\$ 500,523	\$ (26,399,011)
Special	8,139,688	479,224	2,645,815	(5,014,649)
Vocational	119,632	9,609	-	(110,023)
Other	460,888	1,856	444,746	(14,286)
Support services:				
Pupils	3,341,046	-	63,285	(3,277,761)
Instructional Staff	2,448,216	-	937,751	(1,510,465)
Board of Education	14,677	-	-	(14,677)
Administration	5,360,035	-	72,894	(5,287,141)
Fiscal	1,189,102	-	-	(1,189,102)
Business	417,715	-	-	(417,715)
Operations and Maintenance	6,749,258	-	157,159	(6,592,099)
Pupil Transportation	3,600,863	-	11,513	(3,589,350)
Central	1,442,716	-	387,781	(1,054,935)
Operation of Non-Instructional Services:				
Food service Operations	2,763,564	830,787	2,168,701	235,924
Other Non-Operational Services	1,184,085	272,729	713,092	(198,264)
Extracurricular activities	909,795	673,293	70,915	(165,587)
Facilities Acquisition and Construction	280,598	-	-	(280,598)
Debt Service				
Principal	25,650,000	-	-	(25,650,000)
Interest and Fiscal Charges	4,959,924	-	-	(4,959,924)
Bond Issuance Costs	4,178,320	-	-	(4,178,320)
Repayment of Debt Judgements	1,196,855	-	-	(1,196,855)
Total Governmental Activities	<u>103,627,187</u>	<u>4,588,174</u>	<u>8,174,175</u>	<u>(90,864,838)</u>
Component Units				
Virtual Community School of Ohio	8,595,506	676,057	8,237,405	-
Everest High School	623,446	2,345	823,244	-
Brookwood Academy	3,542,805	-	3,340,428	-
Total Component Units	<u>\$ 12,761,757</u>	<u>\$ 678,402</u>	<u>\$ 12,401,077</u>	<u>-</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				21,543,190
Debt Service				8,074,718
Special Revenue				294,669
Income Taxes				4,724,184
Payment in Lieu of Taxes				1,648,423
Unrestricted Grants and Entitlements				33,273,069
Sale of Bonds and Related Premium				25,758,320
Loan Proceeds				-
Investment Earnings				26,874
Miscellaneous				751,418
Total General Receipts				<u>96,094,865</u>
Change in Net Position				<u>5,230,027</u>
Net Position Beginning of Year				32,413,800
Net Position End of Year				<u>\$ 37,643,827</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

BALANCE SHEET- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014

	General Fund	Debt Service Fund	Building Fund	Classroom Facilities Fund
Assets:				
Cash and Cash Equivalents	\$ 10,466,543	\$ 3,981,016	\$ 899,724	\$ 1,408,431
Investments	-	-	1,916,224	2,032,329
Total Assets	\$ 10,466,543	\$ 3,981,016	\$ 2,815,948	\$ 3,440,760
Liabilities:				
Fund Balances:				
Restricted for:				
Library Support Endowment	\$ -	\$ -	\$ -	\$ -
Debt Service	-	3,981,016	-	-
Capital Projects	-	-	2,815,948	3,440,760
Food Service	-	-	-	-
Locally Funded Programs	5,919	-	-	-
District Managed Student Activities	-	-	-	-
State Funded Programs	-	-	-	-
Federally Funded Programs	-	-	-	-
Classroom Facilities Maintenance	-	-	-	-
Assigned for:				
Public School Support	161,053	-	-	-
Instruction	322,435	-	-	-
Support Services	522,686	-	-	-
Capital Projects	-	-	-	-
Unassigned	9,454,450	-	-	-
Total Fund Balances	10,466,543	3,981,016	2,815,948	3,440,760
Total Fund Balances	\$ 10,466,543	\$ 3,981,016	\$ 2,815,948	\$ 3,440,760

See accompanying notes to the basic financial statements.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,800,602	\$ 2,787,899	\$ 25,344,215
-	25,000	3,973,553
<u>\$ 5,800,602</u>	<u>\$ 2,812,899</u>	<u>\$ 29,317,768</u>

\$ -	\$ 25,224	\$ 25,224
-	-	3,981,016
-	1,268,189	7,524,897
-	520,336	520,336
-	184,972	190,891
-	179,761	179,761
-	145,781	145,781
-	45,050	45,050
-	1,041,139	1,041,139
-	-	161,053
-	-	322,435
-	-	522,686
5,800,602	-	5,800,602
-	(597,553)	8,856,897
<u>5,800,602</u>	<u>2,812,899</u>	<u>29,317,768</u>
<u>\$ 5,800,602</u>	<u>\$ 2,812,899</u>	<u>\$ 29,317,768</u>

See accompanying notes to the basic financial statements.

-This page was intentionally left blank-

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS
AS OF JUNE 30, 2014

Total Governmental Fund Balances \$ 29,317,768

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

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

8,326,059

Net Position of Governmental Activities

\$ 37,643,827

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Debt Service Fund	Building Fund	Classroom Facilities Fund
Receipts:				
From local sources:				
Property Taxes	\$ 21,543,190	\$ 8,074,718	\$ -	\$ -
Income Taxes	4,724,184	-	-	-
Tuition and Fees	2,789,975	-	-	-
Charges for Services	646,290	-	-	-
Earnings on Investments	14,308	-	6,735	5,350
Extracurricular	82,604	-	-	-
Payments in Lieu of Taxes	1,635,577	12,393	-	-
Other Local Revenues	489,781	-	310	-
Intergovernmental- State	31,815,507	1,157,090	-	-
Intergovernmental- Federal	300,473	-	-	-
Total Receipts	<u>64,041,889</u>	<u>9,244,201</u>	<u>7,045</u>	<u>5,350</u>
Disbursements:				
Instruction:				
Regular	29,532,849	-	-	-
Special	6,098,585	-	-	-
Vocational	122,279	-	-	-
Other	23,620	-	-	-
Support services:				
Pupils	3,401,168	-	-	-
Instructional Staff	1,270,537	-	-	-
Board of Education	14,677	-	-	-
Administration	5,499,676	-	-	-
Fiscal	1,146,856	61,024	4,728	3,337
Business	442,302	-	5,504	-
Operations and Maintenance	5,977,523	-	-	-
Pupil Transportation	3,366,210	-	-	-
Central	781,565	-	-	-
Operation of Non-Instructional Services:				
Food Service Operations	3,028	-	-	-
Other Non-Operational Services	375,833	-	-	-
Extracurricular Activities	291,523	-	-	-
Facilities Acquisition and Construction	-	-	155,039	125,559
Debt Service:				
Principal Retirement	-	25,650,000	-	-
Interest and Fiscal Charges	-	4,959,924	-	-
SWAP Termination Payment	-	4,178,320	-	-
Repayment of Debt Judgements	1,196,855	-	-	-
Total Disbursements	<u>59,545,086</u>	<u>34,849,268</u>	<u>165,271</u>	<u>128,896</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>4,496,803</u>	<u>(25,605,067)</u>	<u>(158,226)</u>	<u>(123,546)</u>
Other financing sources (uses):				
Sale of Capital Assets	31,349	-	-	-
Sale of Bonds	-	21,580,000	-	-
Premium on Sale of Bonds	-	4,178,320	-	-
Transfers In	-	-	-	-
Transfers Out	(6,107,451)	-	-	-
Advances In	196,010	-	-	-
Advances Out	(135,305)	-	-	-
Total Other Financing Sources (Uses)	<u>(6,015,397)</u>	<u>25,758,320</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,518,594)	153,253	(158,226)	(123,546)
Fund Balance Beginning of Year, Restated (See Note 20)	11,985,137	3,827,763	2,974,174	3,564,306
Fund Balance End of Year	<u>\$ 10,466,543</u>	<u>\$ 3,981,016</u>	<u>\$ 2,815,948</u>	<u>\$ 3,440,760</u>

See accompanying notes to the basic financial statements.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 294,669	\$ 29,912,577
-	-	4,724,184
-	21,390	2,811,365
-	830,787	1,477,077
-	481	26,874
-	590,689	673,293
-	453	1,648,423
-	179,569	669,660
-	1,909,282	34,881,879
-	5,939,799	6,240,272
-	9,767,119	83,065,604
574,069	568,405	30,675,323
-	2,488,431	8,587,016
-	-	122,279
-	442,342	465,962
-	55,741	3,456,909
336,584	909,440	2,516,561
-	-	14,677
-	101,138	5,600,814
-	-	1,215,945
-	-	447,806
-	906,405	6,883,928
-	482,812	3,849,022
363,895	312,740	1,458,200
-	2,911,326	2,914,354
-	849,062	1,224,895
-	634,161	925,684
-	-	280,598
-	-	25,650,000
-	-	4,959,924
-	-	4,178,320
-	-	1,196,855
1,274,548	10,662,003	106,625,072
(1,274,548)	(894,884)	(23,559,468)
-	1,941	33,290
-	-	21,580,000
-	-	4,178,320
4,966,290	1,141,161	6,107,451
-	-	(6,107,451)
-	135,305	331,315
-	(196,010)	(331,315)
4,966,290	1,082,397	25,791,610
3,691,742	187,513	2,232,142
2,108,860	2,625,386	27,085,626
\$ 5,800,602	\$ 2,812,899	\$ 29,317,768

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -
MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 2,232,142

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

Internal service fund for self-insurance is not reported in the statement of activities. Disbursements and related internal service fund receipts are eliminated. The net receipt/(disbursement) of the internal service funds are allocated among the governmental activities 2,997,885

Change in Net Position of Governmental Activities \$ 5,230,027

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
From local sources:				
Property Taxes	\$ 21,617,576	\$ 21,617,576	\$ 21,543,190	\$ (74,386)
Income Taxes	4,740,496	4,740,496	4,724,184	(16,312)
Tuition and Fees	2,827,353	2,857,353	2,789,975	(67,378)
Charges for Services	374,851	374,851	373,561	(1,290)
Earnings on Investments	14,357	14,357	14,308	(49)
Payments in Lieu of Taxes	1,641,224	1,641,224	1,635,577	(5,647)
Other Local Revenues	370,446	370,446	346,438	(24,008)
Intergovernmental- State	31,925,363	31,925,363	31,815,507	(109,856)
Intergovernmental- Federal	301,511	301,511	300,473	(1,038)
Total Receipts	63,813,177	63,843,177	63,543,213	(299,964)
Disbursements:				
Instruction:				
Regular	30,093,899	31,621,972	29,692,463	1,929,509
Special	6,224,891	6,199,591	6,197,521	2,070
Vocational	121,239	121,239	122,279	(1,040)
Other	7,000	7,000	24,100	(17,100)
Support services:				
Pupils	3,221,004	3,199,504	3,396,675	(197,171)
Instructional Staff	1,398,962	1,370,962	1,301,084	69,878
Board of Education	3,500	3,500	14,677	(11,177)
Administration	5,353,828	5,407,528	5,577,819	(170,291)
Fiscal	1,054,991	1,130,991	1,153,511	(22,520)
Business	438,685	441,085	454,182	(13,097)
Operations and Maintenance	5,739,306	5,845,306	6,183,486	(338,180)
Pupil Transportation	2,722,293	2,678,793	3,409,871	(731,078)
Central	695,886	762,886	756,461	6,425
Operation of Non-Instructional Services:				
Food Service Operations	7,150	7,150	3,028	4,122
Other Non-Operational Services	8,046	13,046	16,445	(3,399)
Extracurricular Activities	274,967	287,967	282,272	5,695
Debt Service:				
Repayment of Debt Judgements	1,197,000	1,196,855	1,196,855	-
Total Disbursements	58,562,647	60,295,375	59,782,729	512,646
Excess of Receipts Over (Under) Disbursements	5,250,530	3,547,802	3,760,484	212,682
Other Financing Sources (Uses):				
Sale of Capital Assets	31,457	31,457	31,349	(108)
Transfers Out	-	(6,128,132)	(6,207,536)	(79,404)
Advances In	196,687	196,687	196,010	(677)
Advances Out	-	-	(135,305)	(135,305)
Total Other Financing Sources (Uses)	228,144	(5,899,988)	(6,115,482)	(215,494)
Net Change in Fund Balance	5,478,674	(2,352,186)	(2,354,998)	(2,812)
Fund Balances at Beginning of Year	11,046,901	11,046,901	11,046,901	-
Prior Year Encumbrances Appropriated	767,460	767,460	767,460	-
Fund Balances at End of Year	\$ 17,293,035	\$ 9,462,175	\$ 9,459,363	\$ (2,812)

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
AS OF JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Assets:	
Cash and Cash Equivalents	\$ 8,326,059
Total Assets	<u>8,326,059</u>
Net Position:	
Unrestricted	8,326,059
Total Net Position	<u><u>\$ 8,326,059</u></u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Operating Receipts:	
Charges for Services	\$ 9,187,789
Total Operating Receipts	9,187,789
Operating Disbursements:	
Purchased Services	540,732
Claims	5,649,172
Total Operating Disbursements	6,189,904
Change in Net Position	2,997,885
Net Position Beginning of Year	5,328,174
Net Position End of Year	\$ 8,326,059

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
AS OF JUNE 30, 2014

	Private-Purpose Trust Scholarship	Agency Fund
Assets:		
Cash and Cash Equivalents	\$ 242,178	\$ 61,969
Total Assets	242,178	61,969
Net Position:		
Held in Trust for Scholarships	242,178	-
Held for Others	-	5,269
Held for Students Activity	-	56,700
Total Net Position	\$ 242,178	\$ 61,969

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	\$ 119,703
Earnings on Investments	1,285
Total Additions	120,988
Deductions:	
Scholarships Awarded	43,974
Total Deductions	43,974
Change in Net Position	77,014
Net Position at Beginning of Year	165,164
Net Position at End of Year	\$ 242,178

See accompanying notes to the basic financial statements.

-This page was intentionally left blank-

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

The District employs 250 non-certified and 424 certified employees to provide services to approximately 6,257 students and community groups. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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

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

Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has five component units. The basic financial statements of the reporting entity include those of the District (the primary government), Virtual Community School of Ohio (component unit), Everest High School, which is formerly known as Reynoldsburg Conversion Community School (component unit), and Brookwood Academy (component unit). The District’s other component units, A+ Arts Academy and Patriot Preparatory Academy, have been excluded from the District’s basic financial statements because the economic resources held by A+ Arts Academy and Patriot Preparatory Academy are not significant to the District as a whole.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS

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

Virtual Community School of Ohio

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

Everest High School

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

Brookwood Academy

The Brookwood Academy (the “Academy”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is designed as a school for “at risk” students. The Academy’s Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the Academy, the Academy’s purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of the Academy, the Academy is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 2685 East Livingston Avenue, Columbus, Ohio 43209.

A+ Arts Academy

The A+ Arts Academy (the “Academy”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is a conversion school that offers an opportunity for students that show a strong interest or talent in the visual arts. The Academy’s Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the Academy, the Academy’s purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of the Academy, the Academy is a component unit of the District. However, the economic resources held by the Academy are not significant to the District as a whole and will not be presented in the District’s financial statements.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT (CONTINUED)

Patriot Preparatory Academy

The Patriot Preparatory Academy (the “PPA”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. PPA is a conversion school that offers an orderly and supportive environment whereby students experience preparations for college, career and life. PPA’s Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to PPA, PPA’s purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of PPA, PPA is reflected as a component unit of the District. However, the economic resources held by PPA are not significant to the District as a whole and will not be presented in the District’s financial statements.

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

JOINTLY GOVERNED ORGANIZATION

Tri-Rivers Educational Computer Association

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

PUBLIC ENTITY RISK POOL

Sheakley Group Retrospective Rating Program

The District participates in the Sheakley Group Retrospective Rating Program, a voluntary performance based incentive program. Similar to group rating, companies are grouped together to achieve lower premiums than they could as individuals. However, in this program, employers continue to own individual premiums and the BWC calculates group retro rebates/assessments at 12, 24 and 36 months after the end of the policy. This creates an incentive for participants to control and reduce losses by practicing effective workplace safety and claims management.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT (CONTINUED)

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

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the District’s accounting policies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

Capital projects fund - This fund is used to account for monies set aside for technological improvements throughout the District.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary Funds

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

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

Fiduciary Funds

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

E. Cash and Investments

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

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

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during the fiscal year was \$14,308, which included \$8,666 assigned from other District funds.

F. Restricted Assets

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

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

M. Deferred Outflows and Inflows of Resources

The District's modified cash basis financial statements do not report deferred outflows and inflows of resources. The District recognizes the disbursement for deferred outflows when they are paid and proceeds of deferred inflows are reported when cash is received.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Net Position

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

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

O. Fund Balance

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

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

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

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

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District applies restricted resources first when disbursements are incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

P. Interfund Transactions

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

Q. Extraordinary and Special Items

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

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

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

<u>Nonmajor government fund</u>	<u>Deficit Amount</u>
Straight A Grant	\$ (433,111)
Title VI IDEA-B	(70,001)
Title I	(70,101)
Title II-A Improving Teacher Quality	(24,567)

B. Compliance

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

The encumbrances outstanding at year-end (budgetary basis) amount to \$845,755.

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District’s Public School Support Fund and Alternative School Fund, no longer meets the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, this fund is presented as part of the District’s General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria. The difference between the budgetary basis and the modified cash basis is negative \$9,351 for the change in fund balance for the reclassified funds above.

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits with Financial Institutions

At fiscal year-end, the carrying amount of the District’s deposits was \$7,726,794, and the bank balance was \$8,956,969. Of the District’s bank balance, \$5,507,430 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was collateralized in the manner described below.

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

B. Investments

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

Investment Type	Fair Value	Percent of Total	Investment Maturities	
			less than one year	1 to 3 years
Repurchase Agreements	\$ 26,268,337	86.92%	\$ 26,268,337	\$ -
Money Market Fund	4,291	0.01%	4,291	-
U.S. Treasuries	399,562	1.32%	-	399,562
Commercial Paper				
Toyota Motor Credit	599,407	1.98%	599,407	-
US Bank	320,000	1.06%	320,000	-
Federal Agency Securities				
Federal Farm Credit Bank	234,751	0.78%	-	234,751
Federal National Mortgage Association	234,815	0.78%	-	234,815
Federal Home Loan Banks	2,160,017	7.15%	1,155,544	1,004,473
Total	<u>\$ 30,221,180</u>	<u>100%</u>	<u>\$ 28,347,579</u>	<u>\$ 1,873,601</u>

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk: Of the District’s investments, the Federal Agency Securities and the U.S. Treasuries were rated AA and the Commercial Paper was rated A by Standard & Poor’s. The District’s investments in repurchase agreements and money market fund were unrated. The District’s policy does not address credit risk.

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

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

C. Reconciliation of Deposits and Investments to the Statement of Net Position

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,726,794
Investments	30,221,180
Total	<u>\$ 37,947,974</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 37,643,827
Private-purpose trust funds	242,178
Agency fund	61,969
Total	<u>\$ 37,947,974</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Franklin, Licking and Fairfield Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<u>2013 Second Half Collections</u>		<u>2014 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and other real estate	\$ 666,368,240	97.50%	\$ 667,438,780	97.39%
Public Utility Personal	17,055,100	2.49%	17,867,730	2.60%
Total	<u>\$ 683,423,340</u>	<u>100.00%</u>	<u>\$ 685,306,510</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 73.10		\$ 73.90	

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 – INCOME TAXES

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

NOTE 8 – INTERFUND ACTIVITY

During the fiscal year, the District transferred \$6,107,451 from the General Fund to Other Governmental Funds. These transfers represent operating subsidies and monies assigned to capital acquisitions.

At fiscal year-end, the General Fund had unpaid interfund cash advances in the amount of \$185,305, which represents short-term loans made to other funds of the District. These loans are expected to be repaid within one year.

NOTE 9 – LEASES - LESSEE DISCLOSURE

On May 24, 2010, the District entered into a noncancelable operating lease for the use of copiers. Operating lease payments will be reported as functional expenditures in governmental funds and on budgetary statements. During the fiscal year, the District paid operating lease payments from the General Fund. The District terminated the operating lease in June 2014.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 – LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Series 1999 Energy Conservation Notes	60,000	-	(60,000)	-	-
Series 2003 Bonds	22,440,000	-	(22,440,000)	-	-
Series 2003 General Obligation Notes	140,000	-	(140,000)	-	-
Series 2005 Bonds	19,940,000	-	(625,000)	19,315,000	650,000
Series 2008 Bonds					
Current Interest	53,070,000	-	(905,000)	52,165,000	940,000
Capital Appreciation	64,988	-	-	64,988	-
Accreted Interest	446,760	261,468	-	708,228	-
Series 2012 Bonds					
Current Interest	8,150,000	-	(1,480,000)	6,670,000	1,550,000
Series 2013 Bonds					
Current Interest	-	21,580,000	-	21,580,000	890,000
Total long-term obligations	<u>\$ 104,311,748</u>	<u>\$ 21,841,468</u>	<u>\$ (25,650,000)</u>	<u>\$ 100,503,216</u>	<u>\$ 4,030,000</u>

A. Series 1999 Energy Conservation Notes

During fiscal year 1999, the District issued energy conservation notes to provide for energy improvements to various District buildings. The Series 1999 Energy Conservation Notes were paid off during the current fiscal year.

B. Series 2003 Bonds

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

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

In November 2013, the outstanding amount of these bonds were refunded by the Series 2013 Bonds.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

C. Series 2003 Energy Conservation Notes

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

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

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

The 2003 Energy Conservation Notes were paid off during the current fiscal year.

D. Series 2005 Bonds

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

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

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

Fiscal Year	Current Interest Bonds- Series 2005		
	Principal	Interest	Total
2015	\$ 650,000	\$ 926,750	\$ 1,576,750
2016	675,000	900,250	1,575,250
2017	705,000	872,650	1,577,650
2018	730,000	840,300	1,570,300
2019	765,000	802,925	1,567,925
2020-2024	4,450,000	3,384,500	7,834,500
2025-2029	5,685,000	2,123,375	7,808,375
2030-2033	5,655,000	562,925	6,217,925
Total	<u>\$ 19,315,000</u>	<u>\$ 10,413,675</u>	<u>\$ 29,728,675</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

E. Series 2007 Bond Anticipation Notes

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

F. Series 2008 Bonds

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

This issue is comprised of both current interest bonds, par value \$55,935,000, and capital appreciation bonds, par value \$64,988. The interest rates on the current interest bonds range from 3.00% to 5.25%. The capital appreciation bonds mature on December 1, 2016 (approximate initial offering yield at maturity 4.30%) and December 1, 2017 (approximate initial offering yield at maturity 4.42%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,500,000 and the accreted value at fiscal year-end was \$773,216.

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

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

Fiscal Year	Current Interest Bonds- Series 2008			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 940,000	\$ 2,530,456	\$ 3,470,456	\$ -	\$ -	\$ -
2016	1,150,000	2,489,831	3,639,831	-	-	-
2017	-	2,466,831	2,466,831	465,358	784,642	1,250,000
2018	-	2,466,831	2,466,831	307,858	942,142	1,250,000
2019	2,405,000	2,414,222	4,819,222	-	-	-
2020-2024	13,885,000	10,220,582	24,105,582	-	-	-
2025-2029	18,510,000	6,334,463	24,844,463	-	-	-
2030-2033	15,275,000	1,364,875	16,639,875	-	-	-
Total	\$ 52,165,000	\$ 30,288,091	\$ 82,453,091	\$ 773,216	\$ 1,726,784	\$ 2,500,000

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

G. Series 2012 Bonds

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,550,000	\$ 316,562	\$ 1,866,562
2016	1,625,000	231,313	1,856,313
2017	1,705,000	141,903	1,846,903
2018	1,790,000	48,062	1,838,062
Total	<u>\$ 6,670,000</u>	<u>\$ 737,840</u>	<u>\$ 7,407,840</u>

H. Series 2013 Bonds

In November 2013, the District issued \$21,580,000 in general obligation refunding bond anticipation notes with an interest cost of 4.919% for the purpose of currently refunding the outstanding principal amount of the 2003 general obligation bonds and terminating an interest rate hedge agreement with Dexia Credit Local. The District received \$25,758,320 in bond proceeds, which included a \$4,178,320 premium. The bonds will be retired from the debt service fund. The incremental benefit of this refunding was \$49,462. The refunding did not increase the overall debt of the District; however, since funds were needed to terminate the interest rate hedge agreement, the District lost the opportunity to capitalize on lower interest rates.

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

The following is a summary of the future debt service requirements to maturity for the 2013 series general obligation bonds:

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

Fiscal Year	Principal	Interest	Total
2015	\$ 890,000	\$ 1,039,631	\$ 1,929,631
2016	920,000	995,113	1,915,113
2017	955,000	948,998	1,903,998
2018	995,000	901,038	1,896,038
2019	1,035,000	851,110	1,886,110
2020-2024	5,925,000	3,424,730	9,349,730
2025-2029	7,385,000	1,795,804	9,180,804
2030-2031	3,475,000	151,137	3,626,137
Total	<u>\$ 21,580,000</u>	<u>\$ 10,107,561</u>	<u>\$ 31,687,561</u>

I. Refunding and Sold Options

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

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

The notes related to \$9,540,000 of the 1997 issue were issued November 29, 2007, and the notes related to \$21,580,000 of the 2003 issue were issued November 29, 2013, while the notes related to the 2005 issue, for \$18,665,000, has not been issued. Dexia has agreed to purchase the notes for the 2005 issue, if offered by the District, starting, at December 31, 2014 or June 1, 2015, for \$18,665,000 or for such lesser principal amounts at specified later dates as the related bonds otherwise are redeemed through normal processes.

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

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

During fiscal year 2014, the District terminated the agreement related to 2003 issue through the issuance of the Series 2013 General Obligation Refunding Bond Anticipation Notes. The proceeds of the current refunding bonds were used to currently refund the outstanding principal amounts tied to the agreements (\$21,580,000 Series 2003 Bond Anticipation Notes) and terminate the interest rate hedge agreement at a net cost of \$4,178,320. This refunding did not increase the overall general obligation debt of the District and the incremental benefit of this refunding was \$49,462.

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

The obligation of the District under the swap agreements to make the periodic fixed rate payments (but not the termination payment) is secured by a pledge of ad valorem taxes, similar in most respects to the pledge of such taxes for the related bonds to be refunded. Because these notes have not been issued as of fiscal year-end, there is no requirement at the present time to describe debt service requirements to maturity for the refunding of the 2005 issue.

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

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

The fair value of the hedging derivative instrument at fiscal year-end, as reported by Dexia, which would be payable by the District, should they opt to terminate, was \$3,762,738 for the 2005 issue.

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

J. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at fiscal year-end, resulted in no remaining voted debt margin and an unvoted debt margin of \$685,306. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated a "special needs" school district as permitted by Ohio Revised Code Section 133.06(E).

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - RISK MANAGEMENT

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:			
Each occurrence	Ohio Casualty	\$ 1,000,000	\$ -
Aggregate		2,000,000	-
Umbrella liability:			
Each occurrence	Ohio Casualty	5,000,000	-
Aggregate		5,000,000	-
Building and contents	Ohio Casualty	237,407,812	5,000
Business auto:			
Each occurrence	Ohio Casualty	1,000,000	-
Employee benefits liability:			
Each occurrence	Ohio Casualty	1,000,000	1,000
Aggregate		3,000,000	-

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal year 2013.

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

C. Workers' Compensation Retrospective Rating Program

During the fiscal year, the District participated in the Sheakley Group Retrospective Rating Program, a voluntary performance based incentive program. Similar to group rating, companies are grouped together to achieve lower premiums than they could as individuals. However, in this program, employers continue to own individual premiums and the BWC calculates group retro rebates/assessments at 12, 24 and 36 months after the end of the policy. This creates an incentive for participants to control and reduce losses by practicing effective workplace safety and claims management.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 – PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.1%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,045,672, \$894,556 and \$894,179, respectively. The full amount has been contributed for each year.

B. State Teachers Retirement System of Ohio

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

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

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 – PENSION PLANS (CONTINUED)

Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

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

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

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 – 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10% of covered payroll for members and 14% for employers.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2014, 2013, and 2012 were \$3,386,871, \$3,388,800, and \$3,384,048, respectively. The full amount has been contributed for each year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The District's contributions for the years ended June 30, 2014, 2013 and 2012 were \$60,665, \$50,532, and \$52,806, respectively. The full amount has been contributed in each year.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 – POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2014, 2013, and 2012 were \$65,587, \$127,234, and \$140,307, respectively. The full amount has been contributed in each year.

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

B. State Teachers Retirement System of Ohio

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 – 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 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$260,529, \$260,677, and \$260,311, respectively. The full amount has been contributed in each year.

NOTE 14 – SET ASIDE REQUIREMENTS

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

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

	Capital Acquisition
Set-aside cash balance	
as of June 30, 2013	\$ -
Current fiscal year set-aside requirement	1,033,344
Prior Year Offset from Bond Proceeds	(1,033,344)
Total	\$ -
Balance carried forward to FY 2015	\$ -
Set Aside Reserve Balance June 30, 2014	\$ -

Capital Acquisition

During fiscal year 2003, the District issued \$29,800,000 in capital related debt based on a building project under taken by the District. During fiscal year 2005, the District issued \$23,950,000 in capital related debt for a new building project. During fiscal year 2009, the District issued \$55,999,988 in capital related debt for a new building project. Those proceeds may be used as qualifying disbursements to reduce the capital acquisition to zero for future years. Therefore, the District still has \$103,160,990 in qualifying disbursements that may be used to reduce the set-aside requirement for future years.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 – CONTINGENCIES

A. Litigation

In 1991, the District and the Licking Height Local School District entered into a Territorial Agreement to share tax proceeds. On July 1, 2010, the Licking Heights Local School District was awarded \$1,108,439 from the District related to tax sharing in tax years 2001 through 2006. The District relieved this liability in fiscal year 2014 by paying Licking Heights Local School District \$1,196,855.

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

NOTE 16 – CONTRACTUAL COMMITMENTS

Significant encumbrances as of fiscal year-end were as follows:

	<u>Encumbrances</u>
General Fund	\$ 845,121
Building Fund	191,781
Classroom Facilites Fund	267,989
Capital Projects Fund	932,314
Straight A Fund	12,878,464
Other Governmental Funds	<u>1,340,443</u>
Total	<u>\$ 16,456,112</u>

The significant amount of encumbrances in the Straight A Fund is due to the District leading the Pathways to Prosperity Network. These encumbrances will be liquidated with Straight A Grant Program proceeds received from the Ohio Department of Education.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 – VIRTUAL COMMUNITY SCHOOL

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

Deposits

At fiscal year-end the carrying amount of the School’s deposits was \$688,804 and the bank balance was \$759,421, including \$5,355 on deposit in a Paypal account. Of the School’s bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance was exposed to custodial risk as discussed below.

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

Operating Lease

The School entered into a lease contract with Reynoldsburg City School District commencing on August 1, 2013. The agreement is for rooms in school buildings located at 340 Waggoner Road and 360 Waggoner Road. Lease payments are \$1,667 per month from August 2013 through July 2015.

Consulting Contract

The School entered into a consulting contract with eSchool Consultants, LLC, an Ohio Corporation on March 28, 2002 for fifty-one months. This contract was renewed on June 22, 2005 for the period of July 1, 2005 to June 30, 2011. The contract was renewed again on July 12, 2012 for a one year period commencing July 1, 2012, with renewal to occur annually unless either party gives a proper written notice of non-renewal. Contract provisions require eSchool Consultants to design, develop, implement curriculum and instruction programs, recruitment programs, marketing and public relations programs, exemplary interactive computer requirements, staff requirement program, comprehensive grant-seeking programs, a continuous improvement plan and to facilitate the computer/technology lease/purchase agreements. Under the agreement, eSchool consultants shall bill the School for services rendered. All billings are due within 30 days. In December 2013, the School terminated the contract with eSchool Consultants, LLC. The settlement resulted in the payment in the amount of \$726,119 to eSchool Consultants in seven equal installments. The final installment was paid in June 2014. For fiscal year 2014, the School paid eSchool Consultants \$1,382,043, for support and services rendered under the contractual agreement and for the settlement.

Related Party Transactions

The School has created the Virtual Community School of Ohio Charitable Foundation, Inc. The Foundation’s Board Members are as follows: Chairperson: Cooke Metzger, Board President of the School, Vice Chairperson: Jeff Nelson, Director of Pupil Personnel and Technology for the School, Treasurer: Shane Allen, Treasurer for the School. The School did not make any payments to the Virtual Community School of Ohio Charitable Foundation, Inc. during the fiscal year.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 18 – EVEREST HIGH SCHOOL

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

Deposits

At fiscal year-end, the carrying amount of the School’s deposits was \$745,357 and the bank balance was \$746,603. Of the bank balance, \$496,603 was exposed to custodial credit risk as discussed above, while \$250,000 was covered by Federal Deposit Insurance).

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

Lease Agreement

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

On May 15, 2012, the School entered into a two year agreement to lease office space and classrooms starting August 1, 2012 and ending on July 31, 2014. The agreement allows the School to use space at Graham Road Elementary School (1555 Graham Road), Livingston Campus (6699 East Livingston Avenue) and the Summit Campus (8579 Summit Road). In exchange for payment, the School will provide Sponsor students with services free of charge.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 19 – BROOKWOOD ACADEMY

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

Deposits

At fiscal year-end, the carrying amount of the Academy’s deposits was \$13,116 and the bank balance was \$15,277. The Academy’s entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

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

Operating Leases

On August 6, 2013, the Academy entered into a one-year agreement with Brookwood Presbyterian Church for the lease of office space and classrooms at the Brookwood Campus at Brookwood Presbyterian Church and the Calvin Campus at Calvin Presbyterian Church. The monthly lease payments were \$10,000 for the Brookwood Campus and \$10,000 for the Calvin Campus. The agreement allows for payments to be made in part, delayed or waived by the Brookwood Presbyterian Church for any given month by the request of the Brookwood Academy. The Academy paid Brookwood Presbyterian Church \$225,000 for use of the space during fiscal year 2014.

Debt

On April 29, 2013, the Academy opened a line of credit with US Bank. The credit limit of \$50,000 and has an annual percentage rate of 6.75%. The changes in the Academy’s obligation during the fiscal year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
US Bank Line of Credit	\$ 50,000	\$ 150,000	\$ (149,726)	\$ 50,274
	<u>\$ 50,000</u>	<u>\$ 150,000</u>	<u>\$ (149,726)</u>	<u>\$ 50,274</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 20 – RECLASSIFICATION OF FUND BALANCE

The District’s Capital Projects Fund is required to be reported as a major fund in fiscal year 2014. Therefore, the District reclassified the Capital Projects Fund from Other Governmental Funds to a major fund. The reclassification of the fund balance resulted in changes to beginning of year balances as detailed below:

	Capital Projects Fund	Other Governmental Funds
Fund Balance, June 30, 2013	\$ -	\$ 4,734,246
Reclassification of Fund	2,108,860	(2,108,860)
Fund Balance, July 1, 2013	\$ 2,108,860	\$ 2,625,386

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2014, the District has implemented the following:

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement requires the District to expense all debt issuance costs, rather than defer and amortize them over the life of the applicable debt issue. The implementation of this statement did not have an effect on the financial statements of the District.

GASB Statement No. 66 “Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62” resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the District.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the District.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 22 – SUBSEQUENT EVENTS

In the Fall of 2014, the Reynoldsburg Education Association went on strike. The strike began on September 18, 2014 and ended on October 8, 2014 with the parties approving a three year contract. The new teachers' contract is effective August 1, 2014 through July 31, 2017.

In December 2014, the District issued \$18,665,000 in general obligation refunding bond anticipation notes with an interest cost of 4.939% for the purpose of currently refunding the outstanding principal amount of the 2005 general obligation bonds and terminating an interest rate hedge agreement with Dexia Credit Local. The District received \$23,067,514 in bond proceeds, which included a \$4,402,514 premium. This refunding resulted in a savings of \$10,600. The refunding did not increase the overall debt of the District; however, since funds were needed to terminate the interest rate hedge agreement, the District lost the opportunity to capitalize on lower interest rates.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal grantor/Pass through grantor/Program title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Pass-through Ohio Department of Education:</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$ 626,092	\$ -	\$ 626,092	\$ -
National School Lunch Program	10.555	1,352,421	145,181	1,352,421	145,181
Summer Food Program for Children	10.559	66,231	-	66,231	-
Total Nutrition Cluster		<u>2,044,744</u>	<u>145,181</u>	<u>2,044,744</u>	<u>145,181</u>
State Administrative Expenses for Child Nutrition	10.560	-	-	54,953	-
Team Nutrition Grants	10.574	-	-	250	-
Farm to School Grant Program	10.575	26,700	-	9,125	-
Total U.S. Department of Agriculture		<u>2,071,444</u>	<u>145,181</u>	<u>2,109,072</u>	<u>145,181</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Pass-through Ohio Department of Education:</i>					
Title I Grants to Local Educational Agencies	84.010	1,737,501	-	1,638,191	-
Special Education Cluster:					
Special Education Grants to States	84.027	1,108,938	-	1,039,564	-
Special Education Preschool Grants	84.173	13,710	-	13,710	-
Total Special Education Cluster		<u>1,122,648</u>	<u>-</u>	<u>1,053,274</u>	<u>-</u>
English Language Acquisition Grants	84.365	96,913	-	85,460	-
Improving Teacher Quality State Grants	84.367	141,804	-	148,687	-
ARRA - Race to the Top	84.395	568,317	-	471,444	-
Twenty-First Century Community Learning Centers	84.287	212,404	-	195,235	-
Total U.S. Department of Education		<u>3,879,587</u>	<u>-</u>	<u>3,592,291</u>	<u>-</u>
Total Federal Financial Assistance		<u>\$ 5,951,031</u>	<u>\$ 145,181</u>	<u>\$ 5,701,363</u>	<u>\$ 145,181</u>

The accompanying notes are an integral part of this schedule.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, wherein we noted the District reports on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, and have issued our report thereon dated February 25, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Kennedy Cottrell Richards LLC
February 25, 2015

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Reynoldsburg City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

The District's basic financial statements include the operations of the Virtual Community School of Ohio, Everest High School, and Brookwood Academy, component units of Reynoldsburg City School District. Virtual Community School of Ohio, Everest High School, and Brookwood Academy received \$2,101,920, \$55,438, and \$224,441, and expended \$1,973,480, \$51,909, and \$224,616, respectively in federal awards during fiscal year 2014 that are not included in the District's Federal Awards Receipts and Expenditures Schedule for the year ended June 30, 2014. Our audit of Federal awards, described below, did not include the operations of Virtual Community School of Ohio, Everest High School, and Brookwood Academy. For the fiscal year ended June 30, 2014, Virtual Community School of Ohio required a single audit of their Federal Award Programs in accordance with OMB Circular A-133, and a separate report has been issued. Everest High School and Brookwood Academy expended less than \$500,000 for the fiscal year ended June

30, 2014 and thus were not required to have audits of their Federal Award Programs in accordance with OMB Circular A-133.

Opinion on Each Major Federal Program

In our opinion, the Reynoldsburg City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Kennedy Cottrell Richards LLC
February 25, 2015

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA # 10.553 CFDA # 10.555 CFDA # 10.559 Special Education Cluster CFDA # 84.027 CFDA # 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS

JUNE 30, 2014
(Continued)

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

2014-001 NONCOMPLIANCE: BASIS OF ACCOUNTING

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

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

Official's Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None noted.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2014

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>
2013	2013-01	Ohio Administrative Code Section 117-02-03(B) requires that the School District prepare its financial report in accordance with accounting principles generally accepted in the United States of America.	Repeated as finding 2014-001.
2013	2013-02	During this period, documentation of the number of reimbursable meals served by category was prepared to determine the counts reported for federal reimbursement, however; this documentation was not maintained	Corrected.



Dave Yost • Auditor of State

REYNOLDSBURG CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 21, 2015**