



Dave Yost • Auditor of State



**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance of Governmental Funds to the Statement of Activities.....	16
Statement of Fiduciary Net Assets – Fiduciary Funds .....	17
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	18
Notes to the Basic Financial Statements .....	19
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes In Fund Balances – Budget and Actual (Budget Basis) General Fund .....	45
Notes to the Required Supplementary Information .....	46
Schedule of Federal Awards Receipts and Expenditures.....	49
Notes to the Federal Awards Receipts and Expenditures Schedule .....	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	53
Schedule of Findings.....	55
Schedule of Prior Years Findings .....	57
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	59

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Blanchester Local School District  
Clinton County  
951 Cherry Street  
Blanchester, Ohio 45107

To the Board of Education:

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

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

As described in Note 19, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Blanchester Local School District, Clinton County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

March 20, 2012

**Blanchester Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities decreased \$106,969 which represents a 1% decrease from 2010.
- General revenues accounted for \$11,134,902 in revenue or 66% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,676,232 or 34% of total revenues of \$16,811,134 .
- The District had \$16,918,103 in expenses related to governmental activities; \$5,676,232 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,134,902 were also used to provide for these programs.

**Overview of the Financial Statements**

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

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

**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Blanchester Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

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These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.



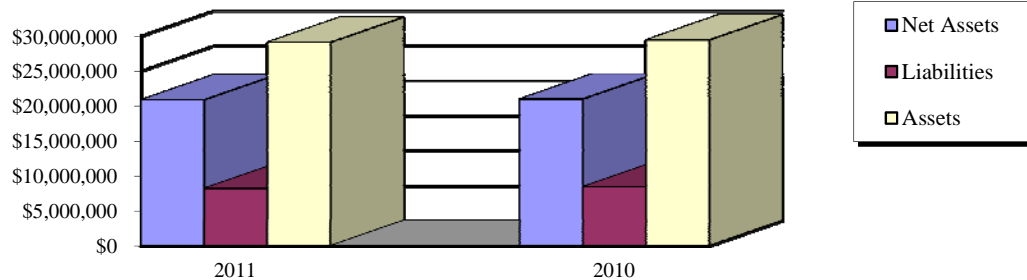
**Blanchester Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**The District as a Whole**

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

**Table 1  
Net Assets**

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$7,788,891	\$7,186,738
Capital Assets	21,238,577	22,180,206
Total Assets	<u>29,027,468</u>	<u>29,366,944</u>
Liabilities:		
Other Liabilities	4,789,549	4,895,712
Long-Term Liabilities	3,410,748	3,537,092
Total Liabilities	<u>8,200,297</u>	<u>8,432,804</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	18,391,139	19,114,397
Restricted	2,195,751	1,694,756
Unrestricted	240,281	124,987
Total Net Assets	<u>\$20,827,171</u>	<u>\$20,934,140</u>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$20,827,171 .

At year-end, capital assets represented 73% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2011, was \$18,391,139. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**Blanchester Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

A portion of the District's net assets, \$2,195,751 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Long-term liabilities decreased due primarily to the District making regularly scheduled debt service payments for the current year.

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

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services	\$1,781,238	\$1,642,679
Operating Grants, Contributions	3,894,994	3,432,219
General Revenues:		
Property Taxes	2,827,991	3,240,320
Grants and Entitlements	8,149,752	8,191,357
Other	157,159	179,206
Total Revenues	<u>16,811,134</u>	<u>16,685,781</u>
Program Expenses:		
Instruction	8,698,887	8,798,300
Support Services:		
Pupil and Instructional Staff	2,370,350	2,416,168
School Administrative, General		
Administration, Fiscal and Business	1,879,384	1,814,497
Operations and Maintenance	1,488,354	1,473,115
Pupil Transportation	935,576	959,778
Central	17,286	16,832
Operation of Non-Instructional Services	913,868	891,974
Extracurricular Activities	440,700	437,901
Interest and Fiscal Charges	173,698	169,940
Total Program Expenses	<u>16,918,103</u>	<u>16,978,505</u>
Change in Net Assets	(106,969)	(292,724)
Net Assets Beginning of Year	<u>20,934,140</u>	<u>21,226,864</u>
Net Assets End of Year	<u>\$20,827,171</u>	<u>\$20,934,140</u>

**Blanchester Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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The District revenues are mainly from two sources. Property taxes levied for general, debt service, special revenue and capital projects purposes and grants and entitlements comprised 65% of the District's revenues for governmental activities.

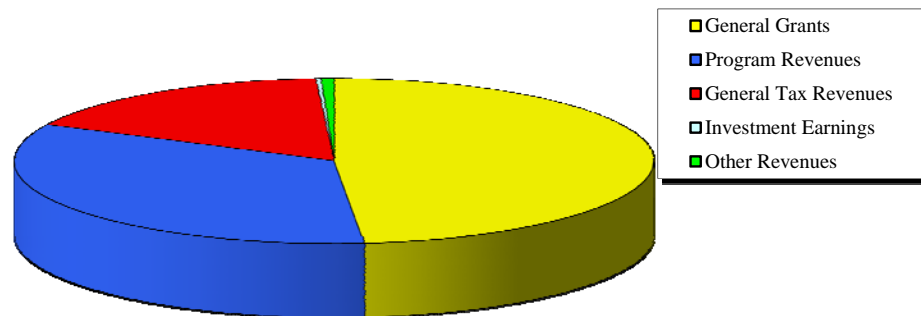
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 17% of revenue for governmental activities for the District in fiscal year 2011.

**Governmental Activities  
Revenue Sources**

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<u>Revenue Sources</u>	<u>2011</u>	<u>Percent of Total</u>
General Grants	\$8,149,752	48.5%
Program Revenues	5,676,232	33.8%
General Tax Revenues	2,827,991	16.8%
Investment Earnings	44,246	0.3%
Other Revenues	112,913	0.7%
Investment Earnings	<u>\$16,811,134</u>	<u>100.0%</u>



Instruction comprises 51% of governmental program expenses. Support services expenses were 40% of governmental program expenses. All other expenses and interest expense was 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants increased in fiscal year 2011 as compared to fiscal year 2010 which was mainly due to an increase in grants monies received. Total expenses remained relatively consistent in fiscal year 2011 as compared to 2010.

**Blanchester Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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 entitlements.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$8,698,887	\$8,798,300	(\$5,442,310)	(\$6,025,320)
Support Services:				
Pupil and Instructional Staff	2,370,350	2,416,168	(1,852,058)	(1,883,262)
School Administrative, General				
Administration, Fiscal and Business	1,879,384	1,814,497	(1,833,492)	(1,774,975)
Operations and Maintenance	1,488,354	1,473,115	(692,095)	(835,283)
Pupil Transportation	935,576	959,778	(874,173)	(890,442)
Central	17,286	16,832	(13,143)	(12,687)
Operation of Non-Instructional Services	913,868	891,974	(15,578)	14,733
Extracurricular Activities	440,700	437,901	(345,324)	(326,431)
Interest and Fiscal Charges	173,698	169,940	(173,698)	(169,940)
Total Expenses	\$16,918,103	\$16,978,505	(\$11,241,871)	(\$11,903,607)

**The District's Funds**

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$5,569,532 (70%) of the total \$7,936,712 governmental funds assets.

**General Fund:** Fund balance at June 30, 2011 was \$1,094,145, an increase in fund balance of \$269,162. The fund balance increased mainly due to a decrease in instructional expenditures.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2011, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$13,220,105, compared to original budget estimates of \$12,373,193. Of this \$846,912 difference, most was due to underestimates for taxes and intergovernmental revenue.

**Blanchester Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
(Unaudited)

The District's ending unobligated cash balance for the General Fund was \$1,753,682.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2011, the District had \$21,238,577 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

**Table 4**  
**Capital Assets at Year End**  
**(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Land	\$474,430	\$474,430
Buildings and Improvements	19,289,517	20,035,279
Equipment	1,474,630	1,670,497
Total Net Capital Assets	<u>\$21,238,577</u>	<u>\$22,180,206</u>

The decrease in capital assets is due to current year depreciation expense exceeding current year additions.

See Note 6 to the Basic Financial Statements for further details on the District's capital assets.

*Debt*

At June 30, 2011, the District had \$2,986,797 in bonds payable, \$200,000 due within one year. Table 5 summarizes bonds outstanding at year end.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2011	2010
General Obligation Bonds:		
State Facilities Construction	\$520,000	\$665,000
2006 Refunding Bonds:		
Current Interest Bonds	2,190,000	2,259,000
Current Appreciation Bonds – Principal Only	85,000	85,000
Current Appreciation Bonds – Compounding Interest	139,359	98,597
Deferred Amount on Refunding Bonds	(113,888)	(123,378)
Premium on Refunding Bonds	166,326	180,187
Total Outstanding Debt at Year End	<u>\$2,986,797</u>	<u>\$3,164,406</u>

See Note 7 to the Basic Financial Statements for further details on the District's long-term obligations.

**Blanchester Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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**For the Future**

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the funding for the OEBM started in FY10 by allocating the funding for each year based on 99% of the FY09 funding and 98% of the FY10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

On June 30, 2011, Ohio's Governor signed HB 153, the state biennium budget bill. The impact of this bill was a slight increase in state funding for the District for both fiscal years 2011-12 and 2012-13. The Governor has indicated that he will prepare a new school funding model for Ohio school districts for fiscal year 2012-13. At this time, we do not know the details of the changes or the impact that these changes may have on our future state funding. This uncertainty could have an impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be closely monitored.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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 Darlene Kassner, Treasurer at Blanchester Local School District, 3580 St. Rt. 28, Blanchester, Ohio 45107. Or E-mail at [kassnerd@blanchester.k12.oh.us](mailto:kassnerd@blanchester.k12.oh.us).

Blanchester Local School District, Ohio  
Statement of Net Assets  
June 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$2,740,808
Restricted Cash and Investments	586,213
Receivables:	
Taxes	3,675,366
Accounts	210
Interest	12,003
Intergovernmental	712,766
Deferred Bond Issuance Costs	52,443
Inventory	9,082
Nondepreciable Capital Assets	474,430
Depreciable Capital Assets, Net	<u>20,764,147</u>
 Total Assets	 <u>29,027,468</u>
 Liabilities:	
Accounts Payable	71,181
Accrued Wages and Benefits	1,526,914
Accrued Interest Payable	10,723
Unearned Revenue	3,180,731
Long-Term Liabilities:	
Due Within One Year	307,938
Due In More Than One Year	<u>3,102,810</u>
 Total Liabilities	 <u>8,200,297</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	18,391,139
Restricted for:	
Debt Service	535,791
Capital Projects	122,084
Classroom Facilities Maintenance	107,338
Set-Aside	586,213
Student Activity	45,715
Federal Grants	786,669
Other Purposes	11,941
Unrestricted	<u>240,281</u>
 Total Net Assets	 <u><u>\$20,827,171</u></u>

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$6,770,858	\$1,310,308	\$691,508	(\$4,769,042)
Special	888,012	59,666	1,095,243	266,897
Vocational	307,832	0	99,852	(207,980)
Other	731,259	0	0	(731,259)
<b>Support Services:</b>				
Pupil	583,416	0	163,123	(420,293)
Instructional Staff	1,786,934	0	355,169	(1,431,765)
General Administration	24,167	0	0	(24,167)
School Administration	1,455,098	0	45,040	(1,410,058)
Fiscal	392,613	0	852	(391,761)
Business	7,506	0	0	(7,506)
Operations and Maintenance	1,488,354	2,214	794,045	(692,095)
Pupil Transportation	935,576	0	61,403	(874,173)
Central	17,286	0	4,143	(13,143)
Operation of Non-Instructional Services	913,868	314,057	584,233	(15,578)
Extracurricular Activities	440,700	94,993	383	(345,324)
Interest and Fiscal Charges	173,698	0	0	(173,698)
<b>Total Governmental Activities</b>	<b>\$16,918,103</b>	<b>\$1,781,238</b>	<b>\$3,894,994</b>	<b>(11,241,871)</b>

<b>General Revenues:</b>	
<b>Property Taxes Levied for:</b>	
General Purposes	2,405,587
Special Revenue Purposes	49,134
Debt Service Purposes	259,736
Capital Projects Purposes	113,534
Grants and Entitlements not Restricted	8,149,752
Unrestricted Contributions	24,862
Investment Earnings	44,246
Other Revenues	88,051
<b>Total General Revenues</b>	<b>11,134,902</b>
<b>Change in Net Assets</b>	<b>(106,969)</b>
<b>Net Assets Beginning of Year</b>	<b>20,934,140</b>
<b>Net Assets End of Year</b>	<b>\$20,827,171</b>

See accompanying notes to the Basic Financial Statements.



Blanchester Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,607,705	\$1,133,103	\$2,740,808
Restricted Cash and Investments	586,213	0	586,213
Receivables:			
Taxes	3,165,378	509,988	3,675,366
Accounts	210	0	210
Interest	11,851	152	12,003
Intergovernmental	0	712,766	712,766
Interfund	198,175	2,089	200,264
Inventory	0	9,082	9,082
Total Assets	<u>5,569,532</u>	<u>2,367,180</u>	<u>7,936,712</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	38,409	32,772	71,181
Accrued Wages and Benefits	1,359,472	167,442	1,526,914
Compensated Absences	89,375	0	89,375
Interfund Payable	0	200,264	200,264
Deferred Revenue	2,988,131	1,131,985	4,120,116
Total Liabilities	<u>4,475,387</u>	<u>1,532,463</u>	<u>6,007,850</u>
Fund Balances:			
Nonspendable	0	9,082	9,082
Restricted	586,213	909,903	1,496,116
Assigned	326,213	0	326,213
Unassigned	181,719	(84,268)	97,451
Total Fund Balances	<u>1,094,145</u>	<u>834,717</u>	<u>1,928,862</u>
Total Liabilities and Fund Balances	<u>\$5,569,532</u>	<u>\$2,367,180</u>	<u>\$7,936,712</u>

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2011

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Total Governmental Fund Balance		\$1,928,862
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,238,577
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	282,308	
Interest	5,329	
Intergovernmental	<u>651,748</u>	
		939,385
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(10,723)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(334,576)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		52,443
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(2,986,797)</u>
Net Assets of Governmental Activities		<u><u>\$20,827,171</u></u>

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$2,521,794	\$450,292	\$2,972,086
Tuition and Fees	1,364,135	0	1,364,135
Investment Earnings	44,935	574	45,509
Intergovernmental	9,278,478	2,335,972	11,614,450
Extracurricular Activities	6,867	93,967	100,834
Charges for Services	0	314,211	314,211
Other Revenues	98,142	16,827	114,969
<b>Total Revenues</b>	<b>13,314,351</b>	<b>3,211,843</b>	<b>16,526,194</b>
Expenditures:			
Current:			
Instruction:			
Regular	5,722,359	383,999	6,106,358
Special	791,756	32,116	823,872
Vocational	303,472	4,360	307,832
Other	731,259	0	731,259
Support Services:			
Pupil	487,203	95,309	582,512
Instructional Staff	1,475,800	309,828	1,785,628
General Administration	24,167	0	24,167
School Administration	1,353,256	39,448	1,392,704
Fiscal	378,639	12,622	391,261
Business	7,506	0	7,506
Operations and Maintenance	621,465	783,503	1,404,968
Pupil Transportation	844,373	11,428	855,801
Central	13,143	4,143	17,286
Operation of Non-Instructional Services	2,000	870,252	872,252
Extracurricular Activities	288,791	125,621	414,412
Capital Outlay	0	88,533	88,533
Debt Service:			
Principal Retirement	0	214,000	214,000
Interest and Fiscal Charges	0	133,789	133,789
<b>Total Expenditures</b>	<b>13,045,189</b>	<b>3,109,877</b>	<b>16,155,066</b>
Net Change in Fund Balance	269,162	101,966	371,128
Fund Balance Beginning of Year, Restated	824,983	732,751	1,557,734
Fund Balance End of Year	<u>\$1,094,145</u>	<u>\$834,717</u>	<u>\$1,928,862</u>

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2011

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Net Change in Fund Balance - Total Governmental Funds \$371,128

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

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	47,685	
Depreciation Expense	(989,314)	
		(941,629)

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

Delinquent Property Taxes	(144,095)	
Interest	(1,263)	
Intergovernmental	430,298	
		284,940

Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets. 214,000

In the statement of activities interest expense is accrued when incurred,  
 whereas in governmental funds an interest expenditure is reported  
 when due. 852

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

Compensated Absences	4,501	
Amortization of Bond Issuance Cost	(4,370)	
Amortization of Bond Premium	13,861	
Amortization of Deferred Charge on Refunding	(9,490)	
Bond Accretion	(40,762)	
		(36,260)

Change in Net Assets of Governmental Activities (\$106,969)

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$218,032	\$29,236
Receivables:		
Interest	610	0
	<u>          </u>	<u>          </u>
Total Assets	<u>218,642</u>	<u>29,236</u>
Liabilities:		
Accounts Payable	0	1,531
Other Liabilities	0	27,705
	<u>          </u>	<u>          </u>
Total Liabilities	<u>0</u>	<u>\$29,236</u>
Net Assets:		
Held in Trust	<u>218,642</u>	
	<u>          </u>	
Total Net Assets	<u>\$218,642</u>	

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2011

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	Private Purpose Trust
Additions:	
Donations	\$500
Investment Earnings	2,322
Total Additions	<u>2,822</u>
Deductions:	
Scholarships	<u>13,600</u>
Total Deductions	<u>13,600</u>
Change in Net Assets	(10,778)
Net Assets Beginning of Year	<u>229,420</u>
Net Assets End of Year	<u><u>\$218,642</u></u>

See accompanying notes to the Basic Financial Statements.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 1 - Description of the District**

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The Blanchester Local School District (“District”) was originally organized in 1854 and known as Blanchester Village School. On July 1, 1959 Blanchester Village School, Jefferson Township School and Edenton Local School District became Blanchester Local School District. In 1853 State Laws were enacted to create local boards of education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected, five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's four instructional and support facilities staffed by 95 classified, 105 certified and eight administrative employees to provide service to 1,782 students and other community members.

**Reporting Entity**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

**Note 2 - Summary of Significant Accounting Policies**

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

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Measurement Focus**

**Government-wide Financial Statements**

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

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

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

**Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.



**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Governmental Funds**

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

General Fund - The general fund is used to account for 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.

**Fiduciary Funds**

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

**Basis of Accounting**

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

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

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

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

**Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

Interest revenue credited to the general fund during fiscal year 2011 amounted to \$44,935 and \$574 in other governmental funds.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

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

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

**Capital Assets**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized.

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

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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<u>Description</u>	<u>Estimated Lives</u>
Building Improvements	20-40 years
Equipment	3-15 years

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vested payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the amount recorded as compensated absences is the amount due at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in proprietary funds.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u> How Earned	<u>Certified</u> Not Eligible	<u>Administrators</u> Per Contract	<u>Non-Certificated</u> 10-20 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Not Applicable	Not Applicable
<u>Sick Leave</u> How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	228 days	Per Contract	228 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Net Assets**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$2,195,751 in restricted net assets, none were restricted by enabling legislation.

**Interfund Activity**

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

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement 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 are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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

**Estimates**

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

**Restricted Assets**

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish a state mandated restriction for textbooks. A corresponding fund balance restriction has also been established.

**Note 3 - Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, \$19,833 of the District's bank balance of \$2,525,839 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Investments**

As of June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Aggregate Credit Risk</u>	<u>Weighted Average Maturity (Years)</u>
Federal National Mortgage Association	\$240,758	21%	2.86
Money Market Fund	\$10,532	1%	0.00
U.S. Treasury Equivalent	872,154	78%	0.00
Total Fair Value	<u>\$1,123,444</u>	<u>100%</u>	
Portfolio Weighted Average Maturity			0.61

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal National Mortgage Association were rated AAA by Standard and Poor's and Fitch ratings and Aaa by Moody's Investment Service. The Money Market Fund and U.S. Treasury Equivalent were not rated.



**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Concentration of Credit Risk – The District’s investment policy allows investments in government sponsored enterprise (GSE) securities. The District has invested 100% of its investments in government sponsored enterprise (GSE) securities.

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. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**Note 4 - Property Taxes**

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Real property taxes collected in 2011 were levied in April on the assessed values as of January 1, 2010, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2011. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011, was \$182,518 for General Fund and \$29,809 for Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2011 operations.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$127,534,910
Public Utility Personal	<u>6,421,820</u>
Total	<u><u>\$133,956,730</u></u>

**Note 5 – Receivables**

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Receivables at June 30, 2011, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 6 - Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$474,430	\$0	\$0	\$474,430
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	30,057,278	0	0	30,057,278
Equipment	<u>7,598,012</u>	<u>47,685</u>	<u>12,725</u>	<u>7,632,972</u>
Totals at Historical Cost	<u>38,129,720</u>	<u>47,685</u>	<u>12,725</u>	<u>38,164,680</u>
Less Accumulated Depreciation:				
Buildings and Improvements	10,021,999	745,762	0	10,767,761
Equipment	<u>5,927,515</u>	<u>243,552</u>	<u>12,725</u>	<u>6,158,342</u>
Total Accumulated Depreciation	<u>15,949,514</u>	<u>989,314</u>	<u>12,725</u>	<u>16,926,103</u>
Governmental Activities Capital Assets, Net	<u>\$22,180,206</u>	<u>(\$941,629)</u>	<u>\$0</u>	<u>\$21,238,577</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$661,539
Special	64,140
Support Services:	
Pupil	904
School Administration	71,796
Operations and Maintenance	51,855
Pupil Transportation	79,318
Operation of Non-Instructional Services	37,827
Extracurricular Activities	21,935
Total Depreciation Expense	<u>\$989,314</u>

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

**Note 7 - Long-Term Liabilities**

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2000 School Facilities Construction	5.67%	12/1/22	\$665,000	\$0	\$145,000	\$520,000	\$155,000
2006 Refunding Bonds:							
Current Interest Bonds	4.00%-4.25%	12/1/22	2,259,000	0	69,000	2,190,000	45,000
Current Appreciation Bonds							
Principal Only		12/1/15	85,000	0	0	85,000	0
Current Appreciation Bonds							
Compounding Interest	20.12%-22.01%	12/1/15	98,597	40,762	0	139,359	0
Deferred Amount on Refunding Bonds			(123,378)	0	(9,490)	(113,888)	0
Premium on Refunding Bonds			180,187	0	13,861	166,326	0
Total Bonds			<u>3,164,406</u>	<u>40,762</u>	<u>218,371</u>	<u>2,986,797</u>	<u>200,000</u>
Compensated Absences			<u>372,686</u>	<u>108,397</u>	<u>57,132</u>	<u>423,951</u>	<u>107,938</u>
Total Governmental Activities			<u>\$3,537,092</u>	<u>\$149,159</u>	<u>\$275,503</u>	<u>\$3,410,748</u>	<u>\$307,938</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

<u>Fiscal Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Capital Appreciation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$200,000	\$123,706	\$0	\$0
2013	220,000	112,151	0	0
2014	235,000	95,400	0	0
2015	0	85,237	40,000	190,000
2016	0	85,237	45,000	225,000
2017-2021	1,405,000	283,877	0	0
2022-2023	650,000	25,501	0	0
Total	<u>\$2,710,000</u>	<u>\$811,109</u>	<u>\$85,000</u>	<u>\$415,000</u>

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 8 - Prior Year Defeasance of Debt**

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As a result of the 2007 advance refunding, the \$2,445,000 of the 2000 School Facilities Construction Bonds and \$179,000 of the Putnam Addition and Junior High Gym Improvement Bonds are considered defeased and the liability is therefore not included on the Statement of Net Assets. The remaining balance on the refunded general obligation bonds as of June 30, 2011 was \$2,445,000.

**Note 9 - Pension Plans**

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**School Employees Retirement System of Ohio**

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, 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. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and 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, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$365,520, \$341,340, and \$319,860, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**State Teachers Retirement System of Ohio**

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement 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, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options

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

DB Plan Benefits

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

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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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.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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 hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Funding Policy

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, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$844,056, \$801,804, and \$787,404, respectively; 83% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Note 10 - Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two 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 premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 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 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$19,843, \$18,530 and \$17,132, respectively, which equaled the required contributions each year.

Health Care Plan

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



**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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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. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% 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 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$37,335, \$11,215, and \$95,026, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

### **State Teachers Retirement System of Ohio**

#### Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$60,290, \$57,272, and \$56,243, respectively; 83% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Note 11 - Contingent Liabilities**

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Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2011.

Litigation

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**Note 12 - Jointly Governed Organizations**

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The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 27 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. To obtain financial information write to: Thor Suge, Director, 330 East Enon Road, Yellow Springs, Ohio 45387.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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The Ohio region 14 state Support Team (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Southern Ohio Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and from Federal and State grants. To obtain financial information write to: Alleyn Unversaw, Treasurer, Southern Ohio Educational Service District, 3321 Airborne Road, Wilmington, Ohio 45177.

**Note 13 - Related Organization**

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Public Library - The Blanchester Public Library is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Blanchester School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax-related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Blanchester Public Library, Mrs. Pamela Smith, Clerk/Treasurer, at 110 North Broadway, Blanchester, Ohio 45107.

**Note 14 - Risk Management**

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The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers. Settled claims have not exceeded commercial coverage in any of the past four years.

The District provides health insurance to employees through a private carrier. They no longer provide benefits through a self insurance program.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 15 – Accountability**

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The following individual funds had a deficit in fund balance at year end:

	<u>Deficit</u>
Other Governmental Funds:	
Summer Intervention	\$5,124
Vocational Education Enhancement	626
Alternative Schools	27,777
Special Education	32,407
Title V	9,564
Miscellaneous Federal Grants	8,770

The deficit fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

**Note 16 - Fund Balance Reserves for Set-Asides**

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

For fiscal year ended June 30, 2011, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2010	\$408,957	\$0	\$117,965
Current Year Set Aside Requirements	248,955	248,955	0
Qualified Disbursements	(71,699)	(66,309)	(117,965) *
Current Year Offsets	0	(18,634,407)	0
Set Aside Reserve Balance as of June 30, 2011	<u>\$586,213</u>	<u>(\$18,451,761)</u>	<u>\$0</u>
Restricted Cash as of June 30, 2011	<u>\$586,213</u>		

\* - The Board of Education approved the elimination of the Budget Stabilization Reserve using the guidelines of Senate Bill 345.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits of \$18,451,761 available for carryover to offset capital reserve requirements of future years.

**Note 17 - Interfund Transactions**

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Interfund transactions at June 30, 2011, consisted of the following interfund receivable and payable:

	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$198,175	\$0
Other Governmental Funds	<u>2,089</u>	<u>200,264</u>
Total All Funds	<u>\$200,264</u>	<u>\$200,264</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 18 – Fund Balances**

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

Fund Balances	General	Other Governmental Funds	Total
<b>Nonspendable:</b>			
Inventory	\$0	\$9,082	\$9,082
<b>Total Nonspendable</b>	0	9,082	9,082
<b>Restricted for:</b>			
Local Grants	0	4,948	4,948
Classroom Facilities Maintenance	0	102,915	102,915
Student Activity	0	45,715	45,715
Data Communication	0	4,001	4,001
Miscellaneous State Grants	0	2,992	2,992
Title I	0	70,813	70,813
Drug Free Schools	0	2,090	2,090
Improving Teacher Quality	0	42,228	42,228
Food Service	0	51,655	51,655
Title II-D	0	208	208
Set Asides	586,213	0	586,213
Debt Service	0	471,526	471,526
Permanent Improvement	0	110,812	110,812
<b>Total Restricted</b>	586,213	909,903	1,496,116
<b>Assigned to:</b>			
Encumbrances	326,213	0	326,213
<b>Total Assigned</b>	326,213	0	326,213
<b>Unassigned (Deficit)</b>	181,719	(84,268)	97,451
<b>Total Fund Balance</b>	\$1,094,145	\$834,717	\$1,928,862

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 19 – Change in Accounting Principles and Restatement of Fund Balance**

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**Change in Accounting Principles**

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

**Restatement of Fund Balance**

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	General Fund	Other Governmental Funds
	<u>                    </u>	<u>                    </u>
Fund Balance, June 30, 2010	\$716,637	\$841,097
Fund Reclassification	108,346	(108,346)
Fund Balance, June 30, 2010 - Restated	<u>\$824,983</u>	<u>\$732,751</u>

# **REQUIRED SUPPLEMENTARY INFORMATION**





Blanchester Local School District, Ohio  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,366,434	\$2,528,410	\$2,528,410	\$0
Tuition and Fees	1,238,119	1,322,865	1,322,865	0
Investment Earnings	40,088	42,832	42,832	0
Intergovernmental	8,685,871	9,280,396	9,280,396	0
Extracurricular Activities	5,467	5,841	5,841	0
Other Revenues	37,214	39,761	39,761	0
Total Revenues	12,373,193	13,220,105	13,220,105	0
Expenditures:				
Current:				
Instruction:				
Regular	5,948,161	5,644,053	5,644,053	0
Special	966,238	916,838	916,838	0
Vocational	330,319	313,431	313,431	0
Other	784,989	744,855	744,855	0
Support Services:				
Pupil	584,446	554,565	554,565	0
Instructional Staff	1,559,136	1,479,423	1,479,423	0
General Administration	32,364	30,709	30,709	0
School Administration	1,390,906	1,319,794	1,319,794	0
Fiscal	421,246	399,709	399,709	0
Business	8,005	7,596	7,596	0
Operations and Maintenance	699,000	663,263	663,263	0
Pupil Transportation	942,903	894,696	894,696	0
Central	25,548	24,242	24,242	0
Operation of Non-Instructional Services	3,162	3,000	3,000	0
Extracurricular Activities	304,454	288,888	288,888	0
Total Expenditures	14,000,877	13,285,062	13,285,062	0
Excess of Revenues Over (Under) Expenditures	(1,627,684)	(64,957)	(64,957)	0
Other Financing Sources (Uses):				
Advances In	1,079,245	1,153,117	1,153,117	0
Advances (Out)	(1,242,307)	(1,178,792)	(1,178,792)	0
Total Other Financing Sources (Uses)	(163,062)	(25,675)	(25,675)	0
Net Change in Fund Balance	(1,790,746)	(90,632)	(90,632)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,844,314	1,844,314	1,844,314	0
Fund Balance End of Year	\$53,568	\$1,753,682	\$1,753,682	\$0

See accompanying notes to the required supplementary information.

**Blanchester Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 1 – Budgetary Process**

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All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources 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 that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District 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 final amended certificate of estimated resources issued during the fiscal year 2011.

The appropriation resolution is subject to amendment by the Board 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 year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Any budgetary modifications at the fund and function level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**Blanchester Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2011**

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Estimated Resources

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriations and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

**Blanchester Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2011**

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Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$269,162
Revenue Accruals	(94,246)
Expenditure Accruals	78,322
Advances In	1,153,117
Advances (Out)	(1,178,792)
Encumbrances	(318,195)
Budget Basis	<u><u>(\$90,632)</u></u>

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE of FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed through Ohio Department of Education:</i>					
Nutrition Cluster:					
National School Breakfast Program	10.553	\$73,190		\$73,190	
National School Lunch Program	10.555	306,104	\$196,370	306,104	\$196,370
<i>Total Nutrition Cluster</i>		<u>379,294</u>	<u>196,370</u>	<u>379,294</u>	<u>196,370</u>
<b>Total U.S. Department of Agriculture</b>		<b>379,294</b>	<b>196,370</b>	<b>379,294</b>	<b>196,370</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title I -	84.010	283,854		180,811	
ARRA - Title I	84.389	75,555		68,575	
<i>Total Title I</i>		<u>359,409</u>		<u>249,386</u>	
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B	84.027	261,244		275,840	
ARRA - IDEA Part B	84.391	145,054		120,429	
Early Childhood	84.173	5,021		5,021	
ARRA - Early Childhood	84.392	11,974		11,974	
<i>Total Special Education Cluster</i>		<u>423,293</u>		<u>413,264</u>	
Drug Free Schools Grant	84.186	-		926	
Title IID Educational Technology	84.318	780		1,135	
Improving Teacher Quality	84.367	117,976		70,864	
ARRA-State Fiscal Stabilization Fund (SFSF)	84.394	727,167		727,167	
<i>Passed through Great Oaks Institute of Technology and Career Development</i>					
Vocational Education Basic Grants to States					
Career Education	84.048	4,107		4,107	
<b>Total Department of Education</b>		<u>1,632,732</u>	<u>-</u>	<u>1,466,849</u>	<u>-</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u><b>\$ 2,012,026</b></u>	<u><b>\$ 196,370</b></u>	<u><b>\$ 1,846,143</b></u>	<u><b>\$ 196,370</b></u>

The accompanying notes to this schedule are an integral part of this schedule.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Blanchester Local School District's (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 Government assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Blanchester Local School District  
Clinton County  
951 Cherry Street  
Blanchester, Ohio 45107

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanchester Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2012; wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

Blanchester Local School District  
Clinton County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 20, 2012.

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

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

**Dave Yost**  
Auditor of State

March 20, 2012





# Dave Yost • Auditor of State

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

Blanchester Local School District  
Clinton County  
951 Cherry Street  
Blanchester, Ohio 45107

To the Board of Education:

### Compliance

We have audited the compliance of Blanchester Local School District, Clinton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Blanchester Local School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, the Blanchester Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

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

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated March 20, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 20, 2012

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Fiscal Stabilization Fund CFDA #84.394, Special Education Cluster CFDA #84.027 84.173 84.391 and 84.392
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

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

None

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BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Expenditures were made from the SFSF grant outside the period of availability.	Yes	

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Blanchester Local School District  
Clinton County  
951 Cherry Street  
Blanchester, Ohio 45107

To the Board of Education:

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

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

**Dave Yost**  
Auditor of State

March 20, 2012







# Dave Yost • Auditor of State

**BLANCHESTER LOCAL SCHOOL DISTRICT**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 29, 2012**