

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

Single Audit

For the Fiscal Year Ended June 30, 2009





Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Reynoldsburg City School District, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 9, 2010

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**REYNOLDSBURG CITY SCHOOL DISTRICT.
FRANKLIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, Ohio (the District), as of and for the fiscal year ended June 30, 2009, which collectively comprise Reynoldsburg City School 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Reynoldsburg City School District, Franklin County, Ohio as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund 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 February 4, 2010, 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.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Kennedy Cottrell Richards LLC
February 4, 2010

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Reynoldsburg City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities increased \$53,297,048 which represents a 164.28% increase from 2008. The large increase is due to revenues recognized for the grant from the Ohio Schools Facilities Commission (OSFC) for the District's construction project.
- General revenues accounted for \$119,096,117 in revenue or 92.16% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,137,905 or 7.84% of total revenues of \$129,234,022.
- The District had \$75,936,974 in expenses related to governmental activities; only \$10,137,905 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$119,096,117 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund, building fund and classroom facilities fund. The general fund had \$54,279,777 in revenues and other financing sources and \$59,573,345 in expenditures and other financing uses. The fund balance of the general fund decreased \$5,309,949 from \$6,252,355 to \$942,406.
- The debt service fund had \$67,569,929 in revenues and other financing sources and \$65,167,365 in expenditures. The fund balance of the debt service fund increased \$2,402,564 from \$2,115,416 to \$4,517,980.
- The building fund had \$645,651 in revenues and \$1,676,531 in expenditures. The fund balance of the building fund decreased \$1,030,880 from \$27,740,439 to \$26,709,559.
- The classroom facilities fund had \$6,868,558 in revenues and \$2,475,205 in expenditures. The fund balance of the classroom facilities fund increased \$4,393,353 from \$28,340,924 to \$32,734,277.

Using these Basic Financial Statements

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net assets and statement of activities can be found on pages 15-17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-24 of this report.

Proprietary Funds

The District maintains two proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service funds account for self-insurance programs. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in two private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 28 and 29. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 30-92 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2009 and 2008.

	Net Assets	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Assets:		
Current and other assets	\$ 150,814,431	\$ 97,385,496
Capital assets, net	<u>78,812,717</u>	<u>77,579,222</u>
Total assets	<u>229,627,148</u>	<u>174,964,718</u>
Liabilities:		
Current liabilities	29,913,388	28,391,158
Long-term liabilities	<u>126,249,490</u>	<u>126,406,338</u>
Total liabilities	<u>156,162,878</u>	<u>154,797,496</u>
Net assets:		
Invested in capital assets, net of related debt	14,270,818	15,658,761
Restricted	62,143,265	4,331,815
Unrestricted (deficit)	<u>(2,949,813)</u>	<u>176,646</u>
Total net assets	<u>\$ 73,464,270</u>	<u>\$ 20,167,222</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$73,464,270 primarily due to the District obtaining a \$56,061,403 grant from the OSFC for construction of new school buildings. The total budget for the project is \$130,375,355. The District's share of this project totals \$74,313,952, which is being financed by general obligation bonds and by an offset due to the District's participation in the OSFC's Expedited Local Partnership Program.

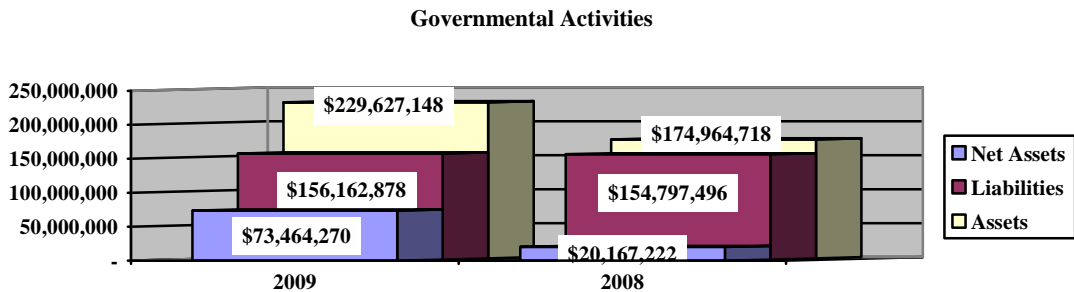
**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At year-end, capital assets represented 34.32% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$14,270,818. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$62,143,265, represents resources that are subject to external restriction on how they may be used, \$56,551,325 of restricted net assets is restricted for capital projects.

The graph below presents the District's assets, liabilities and net assets at June 30, 2009 and 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008. Intergovernmental pass-through expenses for 2008 have been reclassified to other non-instructional services expenses to conform to 2009 presentation.

Change in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 2,380,519	\$ 2,668,238
Operating grants and contributions	7,678,640	6,978,920
Capital grants and contributions	78,746	35,190
General revenues:		
Taxes	32,395,433	26,308,402
Grants and entitlements	84,289,700	27,537,453
Investment earnings	1,641,085	1,036,306
Other	<u>769,899</u>	<u>703,596</u>
Total revenues	<u>129,234,022</u>	<u>65,268,105</u>

Continued

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Change in Net Assets (Continued)	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Expenses:		
Program expenses:		
Instruction:		
Regular	\$ 29,067,286	\$ 28,966,422
Special	4,023,078	3,923,681
Vocational	416,872	347,955
Adult/continuing	500	-
Other	647,226	67,158
Support services:		
Pupil	11,246,486	10,247,264
Instructional staff	1,834,009	1,789,444
Board of education	61,027	52,425
Administration	5,895,840	6,006,921
Fiscal	1,584,241	1,293,439
Business	355,072	425,289
Operations and maintenance	6,140,522	5,688,930
Pupil transportation	3,393,932	3,171,039
Central	579,507	532,806
Operations of non-instructional services:		
Food service operations	2,335,419	2,467,094
Other non-instructional services	461,376	327,288
Extracurricular activities	1,559,695	1,471,179
Interest and fiscal charges	<u>6,334,886</u>	<u>3,541,409</u>
Total expenses	<u>75,936,974</u>	<u>70,319,743</u>
Change in net assets	53,297,048	(5,051,638)
Net assets at beginning of year	<u>20,167,222</u>	<u>25,218,860</u>
Net assets at end of year	<u>\$ 73,464,270</u>	<u>\$ 20,167,222</u>

Governmental Activities

Net assets of the District's governmental activities increased \$53,297,048. Total governmental expenses of \$75,936,974 were offset by program revenues of \$10,137,905 and general revenues of \$119,096,117. Program revenues supported 13.35% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, unrestricted grants and entitlements and grants and entitlements restricted for the OSFC construction project. These four revenue sources represent 90.29% of the total governmental revenue. Real estate property is reappraised every six years as well as a triennial update every three years which is usually not as significant.

In November of 1989 voters approved a 0.5% school district income tax that generates approximately \$4.8 million each fiscal year. This represents an estimated 9% of the general fund revenue each year.

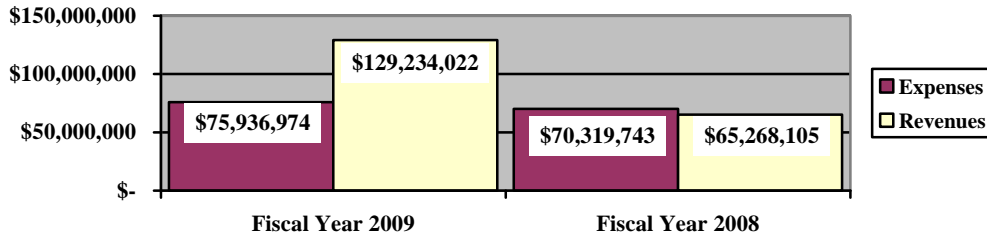
**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Tax revenue increased compared to the prior fiscal year due to collections of a 4.9 mill bond levy beginning during fiscal year 2009. Grants and entitlements increased due to the \$56,061,403 OSFC grant. Expenses increased primarily due to increased interest and fiscal charges, due to the issuance of general obligation bonds during fiscal year 2009, and overall increases in wages and benefits.

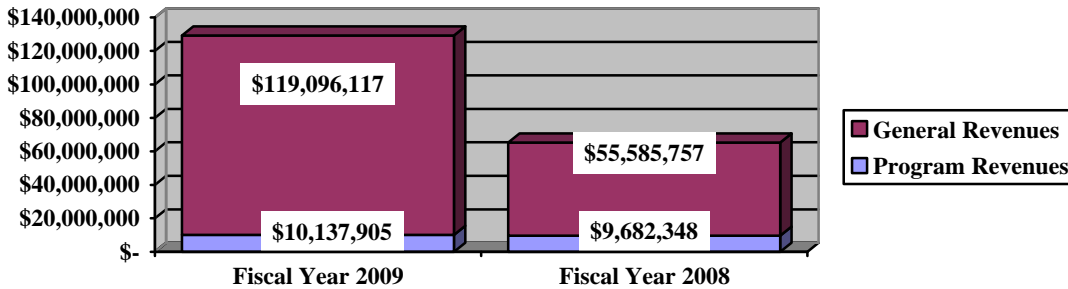
The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

**Governmental Activities - Revenues
and Expenses**



The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

Governmental Activities - General and Program Revenues



**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Intergovernmental pass-through expenses for 2008 have been reclassified to other non-instructional services expenses to conform to 2009 presentation.

Governmental Activities

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Program expenses:				
Instruction:				
Regular	\$ 29,067,286	\$ 28,276,765	\$ 28,966,422	\$ 27,854,553
Special	4,023,078	373,082	3,923,681	(2,629)
Vocational	416,872	327,919	347,955	270,585
Adult/continuing	500	500	-	-
Other	647,226	235,463	67,158	67,158
Support services:				
Pupil	11,246,486	10,647,863	10,247,264	9,633,977
Instructional staff	1,834,009	1,115,227	1,789,444	1,619,998
Board of education	61,027	61,027	52,425	52,425
Administration	5,895,840	5,860,660	6,006,921	5,974,507
Fiscal	1,584,241	1,350,309	1,293,439	1,073,116
Business	355,072	355,072	425,289	425,289
Operations and maintenance	6,140,522	6,062,201	5,688,930	5,669,290
Pupil transportation	3,393,932	3,195,085	3,171,039	3,013,329
Central	579,507	499,743	532,806	427,515
Operations of non-instructional services:				
Food service operations	2,335,419	27,130	2,467,094	235,044
Other non-instructional services	461,376	92,795	327,288	(97,434)
Extracurricular activities	1,559,695	983,342	1,471,179	879,263
Interest and fiscal charges	<u>6,334,886</u>	<u>6,334,886</u>	<u>3,541,409</u>	<u>3,541,409</u>
Total expenses	<u>\$ 75,936,974</u>	<u>\$ 65,799,069</u>	<u>\$ 70,319,743</u>	<u>\$ 60,637,395</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 85.53% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.65%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$66,926,866, which is greater than last year's total of \$66,273,001.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$ 942,406	\$ 6,252,355	\$ (5,309,949)
Debt service	4,517,980	2,115,416	2,402,564
Building	26,709,559	27,740,439	(1,030,880)
Classroom facilities	32,734,277	28,340,924	4,393,353
Other governmental	<u>2,022,644</u>	<u>1,823,867</u>	<u>198,777</u>
 Total	 <u>\$ 66,926,866</u>	 <u>\$ 66,273,001</u>	 <u>\$ 653,865</u>

General Fund

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

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Taxes	\$ 22,352,819	\$ 20,766,341	7.64 %
Tuition	470,363	797,816	(41.04) %
Earnings on investments	510,056	715,468	(28.71) %
Intergovernmental	29,668,202	29,419,342	0.85 %
Other revenues	<u>1,278,322</u>	<u>1,272,574</u>	0.45 %
 Total	 <u>\$ 54,279,762</u>	 <u>\$ 52,971,541</u>	 2.47 %
Expenditures:			
Instruction	\$ 29,899,349	\$ 29,451,695	1.52 %
Support services	28,623,244	26,897,647	6.42 %
Extracurricular activities	983,535	951,294	3.39 %
Capital outlay	-	122,949	(100.00) %
Debt service	<u>52,983</u>	<u>56,362</u>	(6.00) %
 Total	 <u>\$ 59,559,111</u>	 <u>\$ 57,479,947</u>	 3.62 %

The decrease in earnings on investments was due to decreases in interest rates during 2009. The increase in taxes was primarily due to the District having more taxes available as an advance at fiscal year end for 2009 compared to 2008. Advances from the county can vary based on when tax bills are sent out. The decrease in tuition revenue was due to the decreased number of students from other districts. All other revenues remained comparable to the previous fiscal year.

The most significant changes in expenditures were increases in support services and extracurricular activities. These increases are mainly due to the increased costs of supplies and utilities for the operation of the District's facilities. Capital outlay expenditures decreased due to the capital lease transactions the District entered into during fiscal year 2008, while the District did not enter into any capital lease transactions during 2009.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 2009, the District amended its general fund revenue budget. For the general fund, original budgeted revenues and other financing sources were \$51,085,984 and final budgeted revenues and other financing sources were \$51,849,233. Actual revenues and other financing sources for fiscal year 2009 were \$52,553,323. This represents a \$704,090 increase from the final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$59,776,549 were increased to \$60,334,549 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$60,760,073, which was \$425,524 more than the final budget appropriations.

Debt Service

During fiscal year 2009, the District's debt service fund balance increased \$2,115,416. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Taxes	\$ 8,499,162	\$ 4,629,202	83.60 %
Intergovernmental	926,991	608,162	52.43 %
Total	<u>\$ 9,426,153</u>	<u>\$ 5,237,364</u>	79.98 %
Expenditures:			
Fiscal	\$ 88,181	\$ 70,652	24.81 %
Debt service:			
Principal retirement	58,372,097	12,295,000	374.76 %
Interest and fiscal charges	6,142,607	2,774,109	121.43 %
Bond issuance costs	564,480	-	100.00 %
Note issuance costs	-	99,658	(100.00) %
Total	<u>\$ 65,167,365</u>	<u>\$ 15,239,419</u>	327.62 %
Other financing sources:			
Sale of notes	\$ -	\$ 9,540,000	(100.00) %
Sale of bonds	55,999,988	-	100.00 %
Premium on sale of bonds	2,143,788	-	100.00 %
Premium on sale of notes	-	120,400	(100.00) %
Total	<u>\$ 58,143,776</u>	<u>\$ 9,660,400</u>	501.88 %

During fiscal year 2009, the District issued \$55,999,988 in general obligation bonds which were used to retire the \$56,000,000 in bond anticipation notes that were issued during fiscal year 2008. The bond anticipation notes were issued to finance the District's portion of the OSFC construction project. Tax revenue increased due to the new bond levy, which was passed in March 2008.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Building

During fiscal year 2009, the District's building fund balance decreased \$1,030,880 due to expenditures for construction exceeding interest revenue. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Percentage Change</u>
Revenues:			
Earnings on investments	\$ 645,651	\$ 96,901	566.30 %
Expenditures:			
Instructional staff	\$ 180	\$ -	100.00 %
Administration	4,852	-	100.00 %
Facilities acquisition and construction	<u>1,671,499</u>	<u>3,732,745</u>	(55.22) %
Total	<u>\$ 1,676,531</u>	<u>\$ 3,732,745</u>	(55.09) %
Other financing sources:			
Sale of notes	<u>\$ -</u>	<u>\$ 27,713,446</u>	(100.00) %

Classroom Facilities

During fiscal year 2009, the District's classroom facilities fund balance increased \$4,393,353 due to the drawdown of the OSFC grant exceeding construction expenditures. The table that follows assists in illustrating the financial activities of the classroom facilities fund:

	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Percentage Change</u>
Revenues:			
Earnings on investments	\$ 727,409	\$ 54,370	1,237.89 %
Intergovernmental revenue - state	<u>6,141,149</u>	<u>-</u>	100.00 %
Total	<u>\$ 6,868,558</u>	<u>\$ 54,370</u>	12,532.99 %
Expenditures:			
Facilities acquisition and construction	<u>\$ 2,475,205</u>	<u>\$ -</u>	100.00 %
Total	<u>\$ 2,475,205</u>	<u>\$ -</u>	100.00 %
Other financing sources:			
Sale of notes	<u>\$ -</u>	<u>\$ 28,286,554</u>	(100.00) %

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the District had \$78,812,717 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 9,048,476	\$ 9,048,476
Construction in progress	3,116,609	87,653
Land improvements	7,295,898	6,580,495
Building and improvements	57,893,233	60,343,952
Furniture and equipment	644,111	806,227
Vehicles	<u>814,390</u>	<u>712,419</u>
Total	<u>\$ 78,812,717</u>	<u>\$ 77,579,222</u>

The primary increase of capital assets occurred in construction in progress for the OSFC project. Total additions to capital assets for 2009 were \$4,518,502. Total disposals of capital assets (net of accumulated depreciation) were \$216,758. Depreciation expense in 2009 totaled \$3,068,249.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2009, the District had \$117,225,996 in general obligation bonds, general obligation notes, bond anticipation notes and energy conservation notes outstanding. Of this total, \$3,498,697 is due within one year and \$113,727,299 is due in more than one year. The following table summarizes the bonds and notes outstanding.

	Outstanding Debt, at Year End	
	Governmental	Governmental
	Activities	Activities
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 108,150,996	\$ 52,707,769
General obligation notes	650,000	762,924
Bond anticipation notes	8,150,000	65,540,000
Energy conservation notes	<u>275,000</u>	<u>320,000</u>
Total	<u>\$ 117,225,996</u>	<u>\$ 119,330,693</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The District issued \$56,000,000 in bond anticipation notes on May 15, 2008 to provide funds for construction and renovation of school facilities. The notes bore an interest rate of 2.50% and matured on September 30, 2008.

The District issued \$55,999,988 in general obligation bonds on July 9, 2008 to provide funds to retire the \$56,000,000 bond anticipation notes discussed above. The bonds bear an interest rate ranging from 3.00% to 5.25 percent and mature on December 1, 2032.

See Note 11 to the basic financial statements for detail on the District's debt administration.

Component Units

The District's financial statements also contain two component units. The component units are Virtual Community School of Ohio and A+ Arts Academy. See Notes 21 and 22 for detailed disclosures on the component units. If additional financial information concerning the component units is needed, please see their separately issued financial reports.

Current Related Financial Activities

The District placed a 9.9 mill operating levy on the November 2009 ballot. This levy failed, which will result in significant cuts to the District's budget. The District has not had an increase in operating millage in 13 years. The District is currently building a new high school building and a new elementary building. Without additional operating funds, these new schools will not be able to open when completed. The District's State funding was reduced by approximately \$800,000 with the passage of the State budget in July 2009.

Despite these challenges, the District's administration is committed to providing the best possible education for its students with the funds available. In the most recent State Report Card, the District earned an "Excellent" rating.

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Virtual Community School of Ohio</u>	<u>A+ Arts Academy</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 10,819,560	\$ 1,054,948	\$ 79,728
Investments	55,119,100	-	-
Receivables:			
Property taxes	29,778,080	-	-
School district income tax	1,741,429	-	-
Accounts	27,060	38,660	-
Intergovernmental	50,974,568	89,743	2,232
Accrued interest	103,015	-	-
Prepayments	158,999	-	-
Materials and supplies inventory	195,137	-	-
Unamortized issuance costs.	1,043,879	-	-
Deferred swaption transaction costs.	853,604	-	-
Capital assets:			
Land and construction in progress	12,165,085	-	147,642
Depreciable capital assets, net	<u>66,647,632</u>	<u>516,955</u>	<u>873,554</u>
Capital assets, net	<u>78,812,717</u>	<u>516,955</u>	<u>1,021,196</u>
Total assets.	<u>229,627,148</u>	<u>1,700,306</u>	<u>1,103,156</u>
Liabilities:			
Accounts payable.	484,042	379,740	231
Contracts payable.	483,194	-	-
Accrued wages and benefits	6,352,956	439,883	49,499
Pension obligation payable.	1,534,924	191,701	22,103
Intergovernmental payable	455,817	12,588	5,298
Due to students.	-	-	627
Accrued interest payable	427,529	-	-
Claims payable	634,195	-	-
Unearned revenue.	19,540,731	-	-
Long-term liabilities:			
Due within one year.	4,058,666	444,006	22,693
Due in more than one year.	<u>122,190,824</u>	<u>30,060</u>	<u>851,546</u>
Total liabilities	<u>156,162,878</u>	<u>1,497,978</u>	<u>951,997</u>
Net assets:			
Invested in capital assets, net of related debt.	14,270,818	516,955	152,278
Restricted for:			
Capital projects	56,551,325	-	-
Debt service.	4,621,669	-	-
Locally funded programs.	106,042	-	2,217
State funded programs	267,811	27	-
Federally funded programs.	8,112	6,001	-
Classroom facilities maintenance.	140,866	-	-
Student activities	135,915	-	-
Other purposes	286,525	-	1,893
Library support:			
Nonexpendable	25,000	-	-
Unrestricted (deficit)	<u>(2,949,813)</u>	<u>(320,655)</u>	<u>(5,229)</u>
Total net assets	<u>\$ 73,464,270</u>	<u>\$ 202,328</u>	<u>\$ 151,159</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 29,067,286	\$ 574,142	\$ 216,379	\$ -
Special	4,023,078	78,248	3,571,748	-
Vocational	416,872	-	88,953	-
Adult/continuing	500	-	-	-
Other	647,226	-	411,763	-
Support services:				
Pupil	11,246,486	1,405	597,218	-
Instructional staff	1,834,009	23,767	695,015	-
Board of education	61,027	-	-	-
Administration	5,895,840	7,022	28,158	-
Fiscal	1,584,241	231,877	2,055	-
Business	355,072	-	-	-
Operations and maintenance	6,140,522	73,544	4,777	-
Pupil transportation	3,393,932	291	127,810	70,746
Central	579,507	20,465	59,299	-
Operation of non-instructional services:				
Food service operations	2,335,419	856,087	1,452,202	-
Other non-instructional services	461,376	18,514	350,067	-
Extracurricular activities	1,559,695	495,157	73,196	8,000
Interest and fiscal charges	6,334,886	-	-	-
Total governmental activities	<u>75,936,974</u>	<u>2,380,519</u>	<u>7,678,640</u>	<u>78,746</u>
Component units:				
Virtual Community School of Ohio	11,206,982	40,675	1,156,050	-
A+ Arts Academy	1,202,828	70,331	220,675	-
Total component units	<u>12,409,810</u>	<u>111,006</u>	<u>1,376,725</u>	<u>-</u>
Total	<u>\$ 88,346,784</u>	<u>\$ 2,491,525</u>	<u>\$ 9,055,365</u>	<u>\$ 78,746</u>

General revenues:

Property taxes levied for:	
General purposes	
Debt service	
Capital projects	
Special revenue	
School district income tax	
Payments in lieu of taxes	
Grants and entitlements not restricted to specific programs	
Grants and entitlements restricted for Ohio School Facilities Commission	
Investment earnings	
Miscellaneous	
Total general revenues	
Change in net assets	
Net assets (deficit) at beginning of year	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government		Component Units	
Governmental Activities		Virtual Community School of Ohio	A+ Arts Academy
\$	(28,276,765)	\$	-
	(373,082)		-
	(327,919)		-
	(500)		-
	(235,463)		-
	(10,647,863)		-
	(1,115,227)		-
	(61,027)		-
	(5,860,660)		-
	(1,350,309)		-
	(355,072)		-
	(6,062,201)		-
	(3,195,085)		-
	(499,743)		-
	(27,130)		-
	(92,795)		-
	(983,342)		-
	(6,334,886)		-
	(65,799,069)		-
	-	(10,010,257)	-
	-	-	(911,822)
	-	(10,010,257)	(911,822)
	(65,799,069)	(10,010,257)	(911,822)
	17,620,278	-	-
	8,757,106	-	-
	1,105,768	-	-
	142,786	-	-
	4,769,495	-	-
	622,412	-	-
	28,228,297	10,232,805	934,554
	56,061,403	-	-
	1,641,085	9,196	-
	147,487	-	6,687
	119,096,117	10,242,001	941,241
	53,297,048	231,744	29,419
	20,167,222	(29,416)	121,740
\$	73,464,270	\$	202,328
		\$	151,159

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Debt Service	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	\$ 1,008,089	\$ 1,471,367	\$ 2,099,915	\$ 2,611,015	\$ 2,204,765	\$ 9,395,151
Investments	-	-	24,569,543	30,549,557	-	55,119,100
Receivables:						
Property taxes	18,493,530	9,912,797	-	-	1,371,753	29,778,080
School district income taxes	1,741,429	-	-	-	-	1,741,429
Accounts	22,853	-	-	-	921	23,774
Intergovernmental	374,156	161,847	-	49,920,254	518,311	50,974,568
Accrued interest	5,970	-	43,263	53,782	-	103,015
Interfund loans	9,201	-	-	-	-	9,201
Due from other funds	125,077	-	-	-	-	125,077
Prepayments	158,999	-	-	-	-	158,999
Materials and supplies inventory	170,905	-	-	-	24,232	195,137
Restricted assets:						
Equity in pooled cash and cash equivalents	172,006	-	-	-	-	172,006
Total assets	<u>\$ 22,282,215</u>	<u>\$ 11,546,011</u>	<u>\$ 26,712,721</u>	<u>\$ 83,134,608</u>	<u>\$ 4,119,982</u>	<u>\$ 147,795,537</u>
Liabilities:						
Accounts payable	\$ 356,461	\$ -	\$ -	\$ -	\$ 127,581	\$ 484,042
Contracts payable	-	-	3,142	480,052	-	483,194
Accrued wages and benefits	5,765,572	-	-	-	587,384	6,352,956
Compensated absences payable	224,960	-	-	-	-	224,960
Pension obligation payable	1,393,075	-	-	-	141,849	1,534,924
Intergovernmental payable	427,451	-	-	-	28,366	455,817
Interfund loan payable	-	-	-	-	9,201	9,201
Due to other funds	-	-	-	-	125,077	125,077
Deferred revenue	1,028,032	531,218	20	49,920,279	178,220	51,657,769
Unearned revenue	12,144,258	6,496,813	-	-	899,660	19,540,731
Total liabilities	<u>21,339,809</u>	<u>7,028,031</u>	<u>3,162</u>	<u>50,400,331</u>	<u>2,097,338</u>	<u>80,868,671</u>
Fund balances:						
Reserved for encumbrances	243,165	-	894,323	1,806,818	473,643	3,417,949
Reserved for materials and supplies inventory	170,905	-	-	-	24,232	195,137
Reserved for prepayments	158,999	-	-	-	-	158,999
Reserved for debt service	-	1,633,214	-	-	-	1,633,214
Reserved for tax revenue unavailable for appropriation	5,370,941	2,884,766	-	-	398,911	8,654,618
Reserved for library support	-	-	-	-	25,000	25,000
Reserved for BWC refunds	172,006	-	-	-	-	172,006
Unreserved, undesignated (deficit) reported in:						
General fund	(5,173,610)	-	-	-	-	(5,173,610)
Special revenue funds	-	-	-	-	397,810	397,810
Capital projects funds	-	-	25,815,236	30,927,459	703,048	57,445,743
Total fund balances	<u>942,406</u>	<u>4,517,980</u>	<u>26,709,559</u>	<u>32,734,277</u>	<u>2,022,644</u>	<u>66,926,866</u>
Total liabilities and fund balances	<u>\$ 22,282,215</u>	<u>\$ 11,546,011</u>	<u>\$ 26,712,721</u>	<u>\$ 83,134,608</u>	<u>\$ 4,119,982</u>	<u>\$ 147,795,537</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$ 66,926,866
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		78,812,717
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 1,582,731	
Intergovernmental receivable	50,074,993	
Accrued interest receivable	45	
Total	51,657,769	51,657,769
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets.		621,494
Unamortized premiums on bond issuances and swap transactions are not recognized in the funds.		(5,030,444)
Unamortized issuance costs are not recognized in the funds.		1,043,879
Deferred swaption transaction costs are not recognized in the funds.		853,604
In the statement of net assets interest is accrued on outstanding bonds, whereas in governmental funds, interest is accrued when due.		(427,529)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(3,526,716)	
General obligation notes	(650,000)	
General obligation bonds	(108,150,996)	
Bond anticipation notes	(8,150,000)	
Energy conservation notes	(275,000)	
Lease purchase agreement	(158,506)	
Capital lease obligation	(82,868)	
Total	(120,994,086)	(120,994,086)
Net assets of governmental activities		\$ 73,464,270

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Taxes	\$ 22,352,819	\$ 8,499,162	\$ -	\$ -	\$ 1,226,354	\$ 32,078,335
Tuition	470,363	-	-	-	6,980	477,343
Charges for services	231,877	-	-	-	856,087	1,087,964
Earnings on investments	510,056	-	645,651	727,409	-	1,883,116
Extracurricular	14,213	-	-	-	521,526	535,739
Classroom materials and fees	175,047	-	-	-	-	175,047
Payments in lieu of taxes	622,412	-	-	-	-	622,412
Other local revenues	234,773	-	-	-	120,788	355,561
Intergovernmental - Intermediate	-	-	-	-	33,000	33,000
Intergovernmental - State	29,372,466	926,991	-	6,141,149	1,456,111	37,896,717
Intergovernmental - Federal	295,736	-	-	-	3,745,342	4,041,078
Total revenues	<u>54,279,762</u>	<u>9,426,153</u>	<u>645,651</u>	<u>6,868,558</u>	<u>7,966,188</u>	<u>79,186,312</u>
Expenditures:						
Current:						
Instruction:						
Regular	27,111,339	-	-	-	233,342	27,344,681
Special	2,596,255	-	-	-	1,361,045	3,957,300
Vocational	129,809	-	-	-	-	129,809
Adult/continuing	500	-	-	-	-	500
Other	61,446	-	-	-	598,789	660,235
Support services:						
Pupil	10,620,085	-	-	-	612,074	11,232,159
Instructional staff	1,248,974	-	180	-	520,014	1,769,168
Board of education	58,901	-	-	-	-	58,901
Administration	5,829,698	-	4,852	-	35,051	5,869,601
Fiscal	1,474,488	88,181	-	-	16,337	1,579,006
Business	355,126	-	-	-	-	355,126
Operations and maintenance	5,456,967	-	-	-	967,454	6,424,421
Pupil transportation	3,150,069	-	-	-	21,980	3,172,049
Central	428,936	-	-	-	123,795	552,731
Operation of non-instructional services:						
Food service operations	-	-	-	-	2,253,182	2,253,182
Other non-operational services	-	-	-	-	463,024	463,024
Extracurricular activities	983,535	-	-	-	493,051	1,476,586
Facilities acquisition and construction	-	-	1,671,499	2,475,205	19,900	4,166,604
Debt service:						
Principal retirement	44,542	58,372,097	-	-	58,533	58,475,172
Interest and fiscal charges	8,441	6,142,607	-	-	8,665	6,159,713
Bond issuance costs	-	564,480	-	-	-	564,480
Total expenditures	<u>59,559,111</u>	<u>65,167,365</u>	<u>1,676,531</u>	<u>2,475,205</u>	<u>7,786,236</u>	<u>136,664,448</u>
Excess of revenues over (under) expenditures	<u>\$ (5,279,349)</u>	<u>\$(55,741,212)</u>	<u>\$ (1,030,880)</u>	<u>\$ 4,393,353</u>	<u>\$ 179,952</u>	<u>\$(57,478,136)</u>

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**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 14,234	\$ 14,234
Transfers (out)	(14,234)	-	-	-	-	(14,234)
Sale of capital assets.	15	-	-	-	-	15
Sale of bonds	-	55,999,988	-	-	-	55,999,988
Premium on sale of bonds.	-	2,143,788	-	-	-	2,143,788
Total other financing sources (uses)	<u>(14,219)</u>	<u>58,143,776</u>	<u>-</u>	<u>-</u>	<u>14,234</u>	<u>58,143,791</u>
Net change in fund balances	(5,293,568)	2,402,564	(1,030,880)	4,393,353	194,186	665,655
Fund balances at beginning of year	6,252,355	2,115,416	27,740,439	28,340,924	1,823,867	66,273,001
Increase (decrease) in reserve for inventory.	<u>(16,381)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,591</u>	<u>(11,790)</u>
Fund balances at end of year.	<u>\$ 942,406</u>	<u>\$ 4,517,980</u>	<u>\$ 26,709,559</u>	<u>\$ 32,734,277</u>	<u>\$ 2,022,644</u>	<u>\$ 66,926,866</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ 665,655

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

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

Capital asset additions	\$ 4,518,502	
Current year depreciation	<u>(3,068,249)</u>	
Total		1,450,253

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. On the statement of activities, a gain or loss is reported for each disposal.

(216,758)

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

Taxes	317,098	
Intergovernmental	49,972,628	
Interest	<u>(242,031)</u>	
Total		50,047,695

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

(11,790)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets.

58,475,172

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

Increase in accrued interest payable	(31,503)	
Accreted interest on capital appreciation bonds and notes	(740,315)	
Payment of accreted interest on capital appreciation bonds and notes	472,903	
Amortization of issuance costs	(48,150)	
Amortization of swaption transaction costs	(24,810)	
Amortization of bond and swap premiums	<u>196,702</u>	
Total		(175,173)

Premiums on general obligation bonds are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.

(2,143,788)

Issuance costs on general obligation bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.

\$ 564,480

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**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

The issuance of general obligation bonds is recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.	\$ (55,999,988)
Internal service fund for self- insurance is not reported in the statement of activities. Expenditures and related internal service fund revenues are eliminated. The net revenue/(expense) of the internal service funds are allocated among the governmental activities.	751,805
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of financial resources and therefore are not reported as expenditures in governmental funds.	<u>(110,515)</u>
Change in net assets of governmental activities	<u><u>\$ 53,297,048</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 20,356,632	\$ 20,660,770	\$ 20,941,335	\$ 280,565
Tuition	457,230	464,061	470,363	6,302
Charges for services	225,402	228,770	231,877	3,107
Earnings on investments	507,412	514,993	521,986	6,993
Extracurricular	13,817	14,023	14,213	190
Classroom materials and fees	169,805	172,342	174,682	2,340
Payment in lieu of taxes	605,034	614,073	622,412	8,339
Other local revenues	224,938	228,299	231,399	3,100
Intergovernmental - State	28,254,194	28,676,325	29,065,737	389,412
Intergovernmental - Federal	270,247	274,285	278,010	3,725
Total revenues	<u>51,084,711</u>	<u>51,847,941</u>	<u>52,552,014</u>	<u>704,073</u>
Expenditures:				
Current:				
Instruction:				
Regular	27,010,352	27,262,487	27,454,762	(192,275)
Special	2,615,321	2,639,734	2,658,351	(18,617)
Vocational	126,751	127,934	128,836	(902)
Adult/continuing	491	496	500	(4)
Other	69,802	70,454	70,951	(497)
Support services:				
Pupil	11,227,379	11,332,184	11,412,107	(79,923)
Instructional staff	1,254,374	1,266,083	1,275,012	(8,929)
Board of education	87,402	88,218	88,840	(622)
Administration	5,734,395	5,787,924	5,828,745	(40,821)
Fiscal	1,383,610	1,396,526	1,406,375	(9,849)
Business	499,221	503,881	507,435	(3,554)
Operations and maintenance	5,283,042	5,332,358	5,369,966	(37,608)
Pupil transportation	3,070,703	3,099,367	3,121,226	(21,859)
Central	428,630	432,631	435,682	(3,051)
Extracurricular activities	969,839	978,892	985,796	(6,904)
Total expenditures	<u>59,761,312</u>	<u>60,319,169</u>	<u>60,744,584</u>	<u>(425,415)</u>
Excess of expenditures over revenues	<u>(8,676,601)</u>	<u>(8,471,228)</u>	<u>(8,192,570)</u>	<u>278,658</u>
Other financing sources (uses):				
Sale of capital assets	15	15	15	-
Transfers (out)	(14,003)	(14,134)	(14,234)	(100)
Advances (out)	(1,234)	(1,246)	(1,255)	(9)
Refund of prior year expenditure	1,258	1,277	1,294	17
Total other financing sources (uses)	<u>(13,964)</u>	<u>(14,088)</u>	<u>(14,180)</u>	<u>(92)</u>
Net change in fund balance	(8,690,565)	(8,485,316)	(8,206,750)	278,566
Fund balance at beginning of year	8,991,758	8,991,758	8,991,758	-
Prior year encumbrances appropriated	219,793	219,793	219,793	-
Fund balance at end of year	<u>\$ 520,986</u>	<u>\$ 726,235</u>	<u>\$ 1,004,801</u>	<u>\$ 278,566</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Governmental Activities - Internal Service Funds
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,252,403
Receivables:	
Accounts	3,286
Total assets	1,255,689
Liabilities:	
Claims payable	634,195
Total liabilities	634,195
Net assets:	
Unrestricted	621,494
Total net assets	\$ 621,494

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 6,865,888
Total operating revenues	6,865,888
 Operating expenses:	
Purchased services.	119,647
Claims expense	5,994,436
Total operating expenses	6,114,083
 Change in net assets and operating income	751,805
 Net assets (deficit) at beginning of year . . .	(130,311)
 Net assets at end of year	\$ 621,494

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from charges for services	\$ 6,862,602
Cash payments for purchased services	(119,647)
Cash payments for claims.	<u>(6,456,641)</u>
Net cash provided by operating activities	<u>286,314</u>
Net increase in cash and cash equivalents	286,314
Cash and cash equivalents at beginning of year. . .	<u>966,089</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,252,403</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 751,805
Changes in assets and liabilities:	
Increase in accounts receivable	(3,286)
Decrease in claims payable	<u>(462,205)</u>
Net cash provided by operating activities	<u><u>\$ 286,314</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 124,037	\$ 70,239
Receivables:		
Accounts	110	30
Total assets	124,147	\$ 70,269
Liabilities:		
Accounts payable	3,585	\$ -
Due to students	-	70,269
Total liabilities	3,585	\$ 70,269
Net assets:		
Held in trust for scholarships	120,562	
Total net assets	\$ 120,562	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 32,285
Total additions.	32,285
Deductions:	
Scholarships awarded	31,240
Change in net assets	1,045
Net assets at beginning of year.	119,517
Net assets at end of year	\$ 120,562

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 45th largest by enrollment among the 922 public school districts and community schools in the State. The District employs 243 non-certified and 478 certified employees to provide services to approximately 6,141 students and community groups. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has two component units. The basic financial statements of the reporting entity include those of the District (the primary government), A+ Arts Academy (component unit), and Virtual Community School of Ohio (component unit).

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

DISCRETELY PRESENTED COMPONENT UNITS

Virtual Community School of Ohio

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

A+ Arts Academy

The A+ Arts Academy (the "Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is a conversion school that offers an opportunity for students that show a strong interest or talent in the visual arts. The Academy is governed by a Board of Trustees. The Academy Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the Academy, the Academy's purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Trustees of the Academy, the Academy is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 270 S. Napoleon Ave., Columbus, Ohio 43213.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component units can be found in Note 21 and Note 22, respectively.

JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Council

MEC is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. MEC is established under the Ohio Revised Code Chapter 167 as a regional council of governments. The governing board of MEC consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. MEC provides computer services to the District.

Financial information can be obtained from the offices of the Director, Metropolitan Educational Council, 2100 City Gate Drive, Columbus, Ohio 43219.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; or (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

Like the government-wide statements, internal service funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service funds are charges for services. Operating expenses for internal service funds include the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust funds are reported using the economic resources measurement focus. The agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2009, are recorded as deferred revenue.

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2009 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

2. By no later than January 20, the Board-adopted budget is filed with the Franklin County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2009.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted. The final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

During fiscal year 2009, investments were limited to federal agency securities, a banker's acceptance, a U.S. Government money market fund, a repurchase agreement, and the State Treasury Asset Reserve (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2009 amounted to \$510,056, which includes \$236,329 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

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

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

H. Capital Assets

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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 \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 15 years
Vehicles	5 - 15 years

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Compensated absences will be paid from the fund from which the employee's salaries are paid.

K. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved in the fund financial statements by an amount equal to the carrying value of the asset.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, library support and Bureau of Workers' Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriations under State statute.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

N. Parochial School

St. Pius Catholic School operates within the District's boundaries. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. These activities are reported as a governmental activity of the District.

O. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for BWC refunds. See Note 18 for details.

P. Estimates

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

Q. 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount of net assets restricted for other purposes include the amounts restricted for BWC refunds and public school support.

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

R. 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

S. Unamortized Issuance Costs/Premiums and Discounts

On government-wide financial statements, issuance costs are deferred and amortized over the term of the debt issue using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of set assets.

Premiums are deferred and accreted over the term of the debt issue. Premiums are presented as an addition to the face amount of the debt.

On the governmental fund financial statements, issuance costs and premiums are recognized in the current period. A reconciliation between the face value and the amount reported on the statement of net assets is presented in Note 11.A.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District did not have either type of transaction during fiscal year 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 4,772
Special enterprise	3,216
Entry year grant	4,674
Poverty aid	30,168
Title VI-B	46,839
Refugee children school impact aid	3
Title I	44,293
IDEA preschool handicapped	55
Improving teacher quality	15,158

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

B. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

**REYNOLDSBURG CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

C. Compliance

Contrary to Ohio Revised Code Section 5705.41(B), the District's general fund had expenditures plus encumbrances exceeding appropriations at year end.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$2,730,138, exclusive of the \$5,274 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$2,277,649 of the District's bank balance of \$2,527,649 was collateralized in the manner described below, while \$250,000 was covered by the FDIC.

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

B. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
FHLB	\$ 2,582,942	\$ 1,698,712	\$ 884,230	\$ -	\$ -
FHLB DN	23,213,543	7,314,060	15,899,483	-	-
FNMA DN	6,995,800	6,995,800	-	-	-
FNMA	2,669,640	-	-	2,669,640	-
FHLMC DN	3,094,691	3,094,691	-	-	-
FHLMC	14,935,891	-	-	1,301,677	13,634,214
Banker's acceptance	1,626,593	1,626,593	-	-	-
U.S. Governmental money market	86,007	86,007	-	-	-
Repurchase agreement	5,274	5,274	-	-	-
STAR Ohio	8,192,417	8,192,417	-	-	-
Total	<u>\$ 63,402,798</u>	<u>\$ 29,013,554</u>	<u>\$ 16,783,713</u>	<u>\$ 3,971,317</u>	<u>\$ 13,634,214</u>

The weighted average of investments is .74 years.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The U.S. Government money market funds carry a rating of AAAM by Standard & Poor's. The District's investments in banker's acceptance, federal agency securities and in the federal agency securities that underlie the repurchase agreement, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's \$5,274 investment in repurchase agreements, the entire balance is collateralized by the underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The District's policy does not limit the amount invested in U.S. Treasury securities or those instruments guaranteed by the U.S. Treasury. Investments in Federal Agency/Instrumentality/Government Sponsored Enterprise securities and investments in repurchase agreements and certificates of deposit may be made up of 25% and 50%, respectively, of the District's total portfolio. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 2,582,942	4.07
FHLB DN	23,213,543	36.61
FNMA DN	6,995,800	11.03
FNMA	2,669,640	4.21
FHLMC DN	3,094,691	4.88
FLHMC	14,935,891	23.56
Banker's acceptance	1,626,593	2.57
U.S. Government money market	86,007	0.14
Repurchase agreement	5,274	0.01
STAR Ohio	8,192,417	12.92
Total	<u>\$ 63,402,798</u>	<u>100.00</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,730,138
Investments	<u>63,402,798</u>
Total	<u>\$ 66,132,936</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 65,938,660
Private-purpose trust funds	124,037
Agency fund	<u>70,239</u>
Total	<u>\$ 66,132,936</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances consisted of the following at June 30, 2009, as reported as interfund loan receivable/payable on the governmental fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 9,201

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

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

- B.** Interfund balances consisted of the following at June 30, 2009, as reported as due to/from other funds on the governmental fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 125,077

The primary purpose of the interfund balances is to cover negative cash balances in the nonmajor governmental funds. These negative cash balances are allowable under Ohio Revised Code Section 3315.20. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from</u>	<u>Amount</u>
General fund	\$ 14,234

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange 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 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Franklin, Licking and Fairfield Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$5,370,941 in the general fund, \$2,884,766 in the debt service fund and \$398,911 in the permanent improvement fund, a nonmajor governmental fund. These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$3,762,632 in the general fund, \$1,082,240 in the debt service fund and \$203,069 in the permanent improvement fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 752,578,930	97.31	\$ 756,234,050	98.38
Public utility personal	12,581,010	1.63	11,563,200	1.51
Tangible personal property	<u>8,282,620</u>	<u>1.06</u>	<u>945,173</u>	<u>0.11</u>
Total	<u>\$ 773,442,560</u>	<u>100.00</u>	<u>\$ 768,742,423</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$65.50		\$65.70

NOTE 7 - INCOME TAX

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. The District's income tax revenue for fiscal year 2009 totaled \$4,769,495 and is credited to the general fund.

**REYNOLDSBURG CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 29,778,080
School district income tax	1,741,429
Accounts	27,060
Intergovernmental	50,974,568
Accrued interest	<u>103,015</u>
 Total	 <u>\$ 82,624,152</u>

Receivables have been disaggregated on the face of the financial statements. All receivables, except for \$49,920,254 of intergovernmental grants due from the Ohio Schools Facilities Commission (OSFC), are expected to be collected in the subsequent year. The OSFC grant amount will be collected over the life of the construction project.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 9,048,476	\$ -	\$ -	\$ 9,048,476
Construction in progress	87,653	4,128,908	(1,099,952)	3,116,609
Total capital assets, not being depreciated	<u>9,136,129</u>	<u>4,128,908</u>	<u>(1,099,952)</u>	<u>12,165,085</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	9,152,601	1,099,952	-	10,252,553
Buildings and improvements	82,590,552	-	(504,607)	82,085,945
Furniture and equipment	1,804,159	32,094	(190,008)	1,646,245
Vehicles	3,500,747	357,500	-	3,858,247
Total capital assets, being depreciated	<u>97,048,059</u>	<u>1,489,546</u>	<u>(694,615)</u>	<u>97,842,990</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(2,572,106)	(384,549)	-	(2,956,655)
Buildings and improvements	(22,246,600)	(2,281,535)	335,423	(24,192,712)
Furniture and equipment	(997,932)	(146,636)	142,434	(1,002,134)
Vehicles	(2,788,328)	(255,529)	-	(3,043,857)
Total accumulated depreciation	<u>(28,604,966)</u>	<u>(3,068,249)</u>	<u>477,857</u>	<u>(31,195,358)</u>
Governmental activities capital assets, net	<u>\$ 77,579,222</u>	<u>\$ 2,550,205</u>	<u>\$ (1,316,710)</u>	<u>\$ 78,812,717</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,869,644
Special	72,895
Vocational	286,208
<u>Support services:</u>	
Pupil	100,287
Instructional staff	86,378
Board of education	2,126
Administration	85,728
Operations and maintenance	80,745
Pupil transportation	266,046
Central	18,727
Extracurricular	90,776
Food service operations	<u>108,689</u>
Total depreciation expense	<u>\$ 3,068,249</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

A. Capital Lease Obligation

In prior fiscal years, the District entered into capitalized leases for copiers. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular instruction function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$247,172. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$161,108, leaving a current book value of \$86,064. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled \$44,542 by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 29,952
2011	29,952
2012	29,952
2013	<u>4,162</u>
Total minimum lease payments	94,018
Less: amount representing interest	<u>(11,150)</u>
Total	<u>\$ 82,868</u>

B. Lease Purchase Agreement

On January 18, 2007, the District entered into a lease-purchase for school facilities construction through Fifth Third Bank. The source of revenue to fund the principal and interest payments is general operating revenue of the District.

Capital assets consisting of building improvements have been capitalized in the amount of \$300,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$60,000, leaving a current book value of \$240,000. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled \$58,533 by the permanent improvement fund, a nonmajor governmental fund.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease purchase agreement and the present value of the future minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 67,197
2011	67,197
2012	<u>33,598</u>
Total minimum lease payments	167,992
Less: amount representing interest	<u>(9,486)</u>
Total	<u>\$ 158,506</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/09</u>	<u>Due in</u>
					<u>One Year</u>
Governmental activities:					
Energy conservation notes	\$ 320,000	\$ -	\$ (45,000)	\$ 275,000	\$ 50,000
General obligation bonds	52,707,769	56,733,227	(1,290,000)	108,150,996	3,328,697
General obligation notes	762,924	7,076	(120,000)	650,000	120,000
Bond anticipation notes	65,540,000	-	(57,390,000)	8,150,000	-
Capital lease obligation	127,410	-	(44,542)	82,868	24,196
Lease purchase agreement	217,039	-	(58,533)	158,506	61,252
Compensated absences	<u>3,647,838</u>	<u>497,952</u>	<u>(394,114)</u>	<u>3,751,676</u>	<u>474,521</u>
Total governmental activities long-term liabilities	<u>\$ 123,322,980</u>	<u>\$ 57,238,255</u>	<u>\$ (59,342,189)</u>	121,219,046	<u>\$ 4,058,666</u>
Add: unamortized premiums				<u>5,030,444</u>	
Total on statement of net assets				<u>\$ 126,249,490</u>	

Compensated absences: Compensated absences will be paid from the fund from which the employee's salaries are paid. These amounts will be paid from the general fund and the following nonmajor funds: food service, auxiliary services, Title VI-B, Title I and reducing class size.

Capital lease obligation and lease purchase agreement: The capital lease obligation is being repaid from the general fund. The lease purchase agreement is being repaid from the permanent improvement fund, a nonmajor governmental fund. See Note 10 for details.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

This issue is comprised of both current interest bonds, par value \$20,625,000, and capital appreciation bonds, par value \$611,520. The interest rates on the current interest bonds range from 3.80% to 5.45%. The capital appreciation bonds mature on December 1, 2009 (approximate initial offering yield at maturity 5.15%), December 1, 2010 (approximate initial offering yield at maturity 5.25%), December 1, 2011 (approximate initial offering yield at maturity 5.30%) and December 1, 2012 (approximate initial offering yield at maturity 5.35%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$5,860,000. A total of \$3,670,047 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2009.

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

On November 29, 2007, the District issued \$9,540,000 in bond anticipation notes to currently refund the callable portion of the 1997 series general obligation bonds. These bond anticipation notes were subsequently purchased, under a purchase agreement, by Dexia Credit Local (Dexia) at which time a swap option was exercised to obligate Dexia to pay the variable interest rate on the bond anticipation notes in return for a fixed rate to be received from the District (see Note 11.I). The District will continue to make the previously scheduled payments on these bonds to Dexia, which will service the bond anticipation notes. An amortization schedule to show the District's future payments to Dexia to service the bond anticipation notes is presented in Note 11.I.

The following is a schedule of activity for fiscal year 2009 on the 1997 series general obligation bonds:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/09</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
General obligation bonds - series 1997:					
Capital appreciation bonds	\$ 611,520	\$ -	\$ -	\$ 611,520	\$ 192,632
Accreted interest	<u>3,017,220</u>	<u>652,827</u>	<u>-</u>	<u>3,670,047</u>	<u>1,156,065</u>
Total G.O. bonds - series 1997	<u>\$ 3,628,740</u>	<u>\$ 652,827</u>	<u>\$ -</u>	<u>\$ 4,281,567</u>	<u>\$ 1,348,697</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ended</u>	<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 192,632	\$ 1,272,368	\$ 1,465,000
2011	163,260	1,301,740	1,465,000
2012	138,369	1,326,631	1,465,000
2013	117,259	1,347,741	1,465,000
Total	<u>\$ 611,520</u>	<u>\$ 5,248,480</u>	<u>\$ 5,860,000</u>

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

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

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

These bonds were part of a swaption transaction, which is discussed in Note 11.I. At June 30, 2009, the swap option related to this bond issue has not been exercised; therefore, this transaction had no effect on the balance outstanding on this issue.

The following is a schedule of activity for fiscal year 2009 on the 2003 series general obligation bonds:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/09</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds - series 2003:					
Current interest bonds	\$ 25,615,000	\$ -	\$ -	\$ 25,615,000	\$ 760,000
Capital appreciation bonds	344,979	-	(344,979)	-	-
Accreted interest	364,050	50,971	(415,021)	-	-
Total G.O. bonds - series 2003	<u>\$ 26,324,029</u>	<u>\$ 50,971</u>	<u>\$ (760,000)</u>	<u>\$ 25,615,000</u>	<u>\$ 760,000</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ended</u>	<u>Current Interest Bonds - Series 2003</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 760,000	\$ 1,097,942	\$ 1,857,942
2011	780,000	1,075,793	1,855,793
2012	805,000	1,051,011	1,856,011
2013	830,000	1,023,405	1,853,405
2014	860,000	993,830	1,853,830
2015 - 2019	4,795,000	4,444,550	9,239,550
2020 - 2024	5,925,000	3,284,774	9,209,774
2025 - 2029	7,385,000	1,777,915	9,162,915
2030 - 2031	3,475,000	175,875	3,650,875
Total	<u>\$ 25,615,000</u>	<u>\$ 14,925,095</u>	<u>\$ 40,540,095</u>

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

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

These bonds were part of a swaption transaction, which is discussed in Note 11.I. At June 30, 2009, the swap option related to this bond issue has not been exercised; therefore, this transaction had no effect on the balance outstanding on this issue.

The following is a schedule of activity for fiscal year 2009 on the 2005 series general obligation bonds:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/09</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds - series 2005:					
Current interest bonds	\$ 22,755,000	\$ -	\$ (530,000)	\$ 22,225,000	\$ 545,000
Total G.O. bonds - series 2005	<u>\$ 22,755,000</u>	<u>\$ -</u>	<u>\$ (530,000)</u>	<u>\$ 22,225,000</u>	<u>\$ 545,000</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ended</u>	<u>General Obligation Bonds Series 2005</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 545,000	\$ 1,037,097	\$ 1,582,097
2011	560,000	1,018,850	1,578,850
2012	580,000	998,900	1,578,900
2013	600,000	976,750	1,576,750
2014	625,000	952,250	1,577,250
2015 - 2019	3,525,000	4,342,875	7,867,875
2020 - 2024	4,450,000	3,384,500	7,834,500
2025 - 2029	5,685,000	2,123,375	7,808,375
2030 - 2033	5,655,000	562,925	6,217,925
Total	<u>\$ 22,225,000</u>	<u>\$ 15,397,522</u>	<u>\$ 37,622,522</u>

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

This issue is comprised of both current interest bonds, par value \$55,935,000, and capital appreciation bonds, par value \$64,988. The interest rates on the current interest bonds range from 3.00% to 5.25%. The capital appreciation bonds mature on December 1, 2016 (approximate initial offering yield at maturity 4.30%) and December 1, 2017 (approximate initial offering yield at maturity 4.42%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,500,000. A total of \$29,441 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2009.

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

At June 30, 2009 there was \$54,256,427 in unspent proceeds remaining on this bond issue.

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2009 on the 2008 series general obligation bonds:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/09</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
General obligation bonds - series 2008:					
Current interest bonds	\$ -	\$ 55,935,000	\$ -	\$ 55,935,000	\$ 675,000
Capital appreciation bonds	-	64,988	-	64,988	-
Accreted interest	-	29,441	-	29,441	-
Total G.O. bonds - series 2008	<u>\$ -</u>	<u>\$ 56,029,429</u>	<u>\$ -</u>	<u>\$ 56,029,429</u>	<u>\$ 675,000</u>

<u>Year Ended</u>	<u>Current Interest Bonds - Series 2008</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 675,000	\$ 2,662,737	\$ 3,337,737	\$ -	\$ -	\$ -
2011	650,000	2,642,863	3,292,863	-	-	-
2012	670,000	2,622,226	3,292,226	-	-	-
2013	870,000	2,596,112	3,466,112	-	-	-
2014	905,000	2,564,484	3,469,484	-	-	-
2015 - 2019	4,495,000	12,368,171	16,863,171	64,988	2,435,012	2,500,000
2020 - 2024	13,885,000	10,220,583	24,105,583	-	-	-
2025 - 2029	18,510,000	6,334,562	24,844,562	-	-	-
2030 - 2033	15,275,000	1,364,875	16,639,875	-	-	-
Total	<u>\$ 55,935,000</u>	<u>\$ 43,376,613</u>	<u>\$ 99,311,613</u>	<u>\$ 64,988</u>	<u>\$ 2,435,012</u>	<u>\$ 2,500,000</u>

- F.** During fiscal year 1999, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements. Since these notes are long-term in nature and used for capital acquisition, they are reported as component of long-term obligations on the statement of net assets. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2009:

	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/09</u>
Energy conservation notes	5.05%	12/01/98	12/01/13	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ (45,000)</u>	<u>\$ 275,000</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Fiscal Year Ending</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2010	\$ 50,000	\$ 12,625	\$ 62,625
2011	50,000	10,100	60,100
2012	55,000	7,449	62,449
2013	60,000	4,545	64,545
2014	<u>60,000</u>	<u>1,515</u>	<u>61,515</u>
Total	<u>\$ 275,000</u>	<u>\$ 36,234</u>	<u>\$ 311,234</u>

- G.** On July 1, 2003, the District issued general obligation notes to provide funds for energy improvements to school facilities. These notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Since these notes are long-term in nature and used for capital acquisition, they are reported as component of long-term obligations on the statement of net assets. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund.

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

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

The following is a schedule of activity for fiscal year 2009 on the 2004 series general obligation notes:

	<u>Balance 06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/09</u>	<u>Amounts Due in One Year</u>
General obligation notes - series 2004:					
Current interest notes	\$ 650,000	\$ -	\$ -	\$ 650,000	\$ 120,000
Capital appreciation notes	62,118	-	(62,118)	-	-
Accreted interest	<u>50,806</u>	<u>7,076</u>	<u>(57,882)</u>	<u>-</u>	<u>-</u>
Total G.O. notes - series 2004	<u>\$ 762,924</u>	<u>\$ 7,076</u>	<u>\$ (120,000)</u>	<u>\$ 650,000</u>	<u>\$ 120,000</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2004 series general obligation notes:

Year Ended	Current Interest Notes - Series 2004		
	Principal	Interest	Total
2010	\$ 120,000	\$ 22,397	\$ 142,397
2011	125,000	18,798	143,798
2012	130,000	14,797	144,797
2013	135,000	10,247	145,247
2014	140,000	5,320	145,320
Total	<u>\$ 650,000</u>	<u>\$ 71,559</u>	<u>\$ 721,559</u>

- H.** On May 15, 2008, the District issued \$56,000,000 in bond anticipation notes to begin a school facilities construction and improvement project. The notes matured on September 30, 2008 and bore an interest rate of 2.50%. The notes were retired from the debt service fund using the proceeds from the District's \$55,999,998 bond issue (see Note 11.E). In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to be Refinanced", the bond anticipation notes were classified as long-term obligations because they have been replaced with long-term bonds.

On November 29, 2007, the District issued bond anticipation notes in the amount of \$9,540,000 to refund the callable portion of the 1997 series general obligation bonds (see Note 11.B). These bond anticipation notes were subsequently purchased by Dexia Credit Local (Dexia) and a swap option was exercised obligating Dexia to pay the variable interest rate due on the notes in return for a fixed rate to be received by the District (see Note 11.I for detail).

I. Refunding and Sold Options

In 2008, the District entered into an agreement with Dexia for Dexia to purchase bond anticipation notes that were or may be issued to refund a portion of the general obligation bonds discussed in Note 11.B. (1997 issue), Note 11.C. (2003 issue) and Note 11.D. (2005 issue). These refunding bond anticipation notes, as or if issued, bear or would bear variable interest rates based upon the Securities Industry and Financial Markets Association (SIFMA, formerly the Bond Marketing Association, BMA) Municipal Swap Index plus 29 basis points (0.29%).

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

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

The following is a schedule of activity for fiscal year 2009 on the bond anticipation notes related to the swap transaction on the 1997 bond issue:

	Balance 06/30/08	Additions	Reductions	Balance 06/30/09	Amounts Due in One Year
Bond anticipation notes - swap	\$ 9,540,000	\$ -	\$ (1,390,000)	\$ 8,150,000	\$ -
Total G.O. bonds - series 2005	\$ 9,540,000	\$ -	\$ (1,390,000)	\$ 8,150,000	\$ -

The following is a schedule of the Districts future obligations to Dexia for the bond anticipation notes issued in the swap transaction:

Year Ended	Bond Anticipation Notes		
	Principal	Interest	Total
2010	\$ -	\$ 444,175	\$ 444,175
2011	-	444,175	444,175
2012	-	444,175	444,175
2013	-	444,175	444,175
2014	1,460,000	404,390	1,864,390
2015-2018	6,690,000	752,918	7,442,918
Total	\$ 8,150,000	\$ 2,934,008	\$ 11,084,008

Payments to Dexia are due June 1 and December 1 each year.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Dexia has committed to purchase the notes related to the 2003 and 2005 issues if the District presents notice to Dexia that it is, in fact, entering into the swaps. The termination dates under these swap agreements coincide with the maturity dates of the respective issues. The swap agreements may be terminated prior to their stated termination dates under certain circumstances. Upon termination, a payment may be owed by the District to the counterparty (Dexia), or by the counterparty to the District, depending upon the prevailing economic circumstances at the time of the termination and the District would again be exposed to the variable interest rates of the notes. The District would also be exposed to the variable interest rates if the counterparty to the swap defaults on its obligation to pay the variable interest required under the swap agreement. The obligation of the District under the swap agreements to make the periodic fixed rate payments (but not the termination payment) is secured by a pledge of ad valorem taxes, similar in most respects to the pledge of such taxes for the related bonds to be refunded. Because these notes have not been issued (and may never be issued) there is no requirement at the present time to describe debt service requirements to maturity for the refunding of the 2003 and 2005 issues.

The fair values of the swaps at June 30, which would be payable by the District were: \$1,672,437 for the 2003 issue; \$1,603,986 for the 2005 issue; and, \$1,213,278 for the 1997 issue.

Swap premiums and transaction costs are recognized on the fund financial statements. Upon exercise of the swap options, the premium and transaction costs are amortized over the life of the obligation. At June 30, 2009, only the swap option related to the series 1997 bonds has been exercised. Premium and transaction costs related to the 1997 swap option in the amounts of \$771,000 and \$254,295, respectively, are being amortized in the statement of activities. Premium and transaction costs related to the 2003 swap option in the amounts of \$830,000 and \$348,762, respectively, and premium and transaction costs related to the 2005 swap option in the amounts of \$815,000 and \$296,031, respectively, have not been exercised and therefore amortization of charges has not been reported in fiscal year 2009. The unamortized balances of the swap premiums and transaction costs are reported on the statement of net assets at June 30, 2009.

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Counterparty Risk: Over the long-term, it is possible that the credit strength of Dexia could change and this event could trigger termination payments or other remedies on the part of Dexia or the District. In fact, Dexia's credit rating has been down-graded since the swap agreements were entered into, which triggered certain disclosures by Dexia, but no payments or other adverse events affecting the District. Counterparty risk is minimized in this case because, as noted above, Dexia basically is paying itself the variable rates and is receiving or would be receiving the fixed rates from the District.

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

J. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, resulted in no remaining voted debt margin and an unvoted debt margin of \$769,485. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated a "special needs" school district as permitted by Ohio Revised Code Section 133.06(E).

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from board policy, board minutes, negotiated agreements and State laws. Only the administrators and 12-month classified employees earn 10 to 20 days of vacation per year, depending upon length of service.

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - COMPENSATED ABSENCES - (Continued)

School support personnel accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
1 to 3 Years	10 Days
4 to 7 Years	12 Days
8 to 12 Years	15 Days
13 to 16 Years	17 Days
Over 17 Years	20 Days

Vacation Pay: Upon separation from employment a full-time employee shall be entitled to compensation at his/her current rate of pay for all lawfully accrued and unused vacation leave to his/her credit at the time of separation.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 248 days for certificated employees and 260 days for classified employees.

Service Retirement: Upon retirement, employees shall receive in one lump sum, payment equal to twenty-five percent of accumulated unused sick leave. This severance payment is based upon the above schedule utilizing the employees' accumulated sick leave, up to a maximum of 248 days for certificated employees and 256 days for classified employees.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Education liability:			
Each occurrence	Ohio Casualty	\$ 1,000,000	\$ 0
Aggregate		2,000,000	0
Umbrella liability:			
Each occurrence	Ohio Casualty	5,000,000	
Aggregate		5,000,000	0
Building and contents	Ohio Casualty	146,217,700	5,000
Business auto:			
Each occurrence	Ohio Casualty	1,000,000	
Employee Benefits Liability:			
Each occurrence	Ohio Casualty	1,000,000	1,000
Aggregate		3,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal 2008.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 13 - RISK MANAGEMENT - (Continued)

B. Health Care Self-Insurance Program

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

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on past experience and known balances. The liability at June 30, 2009, is not discounted. An actuary was used in determining this liability.

The claims liability of \$634,195 is reported in the internal service funds at June 30, 2009 and is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the current and past fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$ 1,096,400	\$ 5,994,436	\$ (6,456,641)	\$ 634,195
2008	518,100	6,524,359	(5,946,059)	1,096,400

C. Workers' Compensation Group Rating Plan

For fiscal year 2009, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$733,607, \$728,484 and \$727,816, respectively; 42.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 14 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$3,906,104, \$3,800,752 and \$3,724,843, respectively; 82.95 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$73,073 made by the District and \$122,242 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$494,905, \$479,165 and \$386,449, respectively; 42.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$60,529, \$52,489 and \$49,491, respectively; 42.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$300,470, \$292,366 and \$286,526, respectively; 82.95 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis); and,
- (e) Investments are reported as fair value (GAAP basis) rather than cost (budget basis).

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (8,206,750)
Net adjustment for revenue accruals	1,727,748
Net adjustment for expenditure accruals	885,102
Net adjustment for other sources/(uses)	(39)
Adjustment for encumbrances	300,371
GAAP basis	\$ (5,293,568)

NOTE 17 - CONTINGENCIES

A. 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 the financial position of the District at June 30, 2009.

B. Litigation

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 18 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of			
June 30, 2008	\$ (4,102,793)	\$ (52,170,814)	\$ 172,006
Current year set-aside requirement	1,054,663	1,054,663	-
Current year offsets	-	(56,890,266)	-
Qualifying disbursements	<u>(1,036,486)</u>	<u>(1,157,196)</u>	<u>-</u>
Total	<u>\$ (4,084,616)</u>	<u>\$ (109,163,613)</u>	<u>\$ 172,006</u>
Balance carried forward to FY 2010	<u>\$ (4,084,616)</u>	<u>\$ (108,170,802)</u>	<u>\$ 172,006</u>

The District had qualifying disbursements during prior years that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve and this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. During fiscal year 2003, the District issued \$29,800,000 in capital related debt based on a building project under taken by the District. During fiscal year 2005, the District issued \$23,950,000 in capital related debt for a new building project. During fiscal year 2009, the District issued \$55,999,988 in capital related debt for a new building project. Those proceeds may be used to reduce the capital acquisition below zero for future years. Therefore, this negative amount is presented as being carried forward to the next fiscal year.

A schedule of restricted assets at June 30, 2009 follows:

Amount restricted for BWC refunds	<u>\$ 172,006</u>
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NOTE 19 - SUBSEQUENT EVENTS

Tammy Miller became the District Treasurer effective August 17, 2009.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2009, the District has commitments with the following companies for the construction project.

	Contract Amount	Amount Paid as of June 30, 2009	Amount Remaining on Contract
Claggett & Sons Inc.	\$ 2,340,000	\$ -	\$ 2,340,000
Claypool Electric	1,946,300	-	1,946,300
Columbus Dispatch	20,000	770	19,230
Crawford Mechanical	1,387,460	-	1,387,460
Environmental Assurance Co. Inc.	74,950	-	74,950
Farber	9,940	-	9,940
Gandee & Associates	46,200	6,429	39,771
George J. Igel Co. Inc.	6,966,000	-	6,966,000
Key Blueprints	39,000	-	39,000
Loop Master International	32,000	27,700	4,300
Middleton Geothermal Services	3,284,922	-	3,284,922
Moody Nolan	5,690,028	2,227,420	3,462,608
Paul Construction	331,307	-	331,307
PSI	123,000	19,061	103,939
Stan Engineering	783,573	12,749	770,824
TP Mechanical	67,896	-	67,896
WE Stilson	46,480	46,250	230
Total	<u>\$ 23,189,056</u>	<u>\$ 2,340,379</u>	<u>\$ 20,848,677</u>

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable in the amount of \$483,194 for costs incurred prior to fiscal year end on the OSFC project. Costs incurred by fiscal year end have been recorded as construction-in-progress in the District's capital assets (See Note 9).

**REYNOLDSBURG CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO

A. Description of the School

The Virtual Community School of Ohio, Franklin County, Ohio (the "VCS") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the VCS's tax exempt status. The VCS's objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The VCS, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The VCS may acquire facilities as needed and contract for any services necessary for the operation of the school. The VCS is considered a component unit of the Reynoldsburg City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units".

The VCS was approved for operation under a contract with the Reynoldsburg City School District (the "Sponsor") for a period of five academic years commencing after July 1, 2006. The Sponsor is responsible for evaluating the performance of the VCS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The VCS operates under the direction of a self-appointed five-member Board of Trustees (the "Board"), however, during fiscal year 2009, beginning in November 2008, the Board consisted of four members. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the VCS's one instructional/support facility staffed by 23 non-certified staff members and 78 certified full time teaching personnel who provide services to 1,414 students.

The VCS contracts with eSchool Consultants, LLC for a variety of consulting services including personnel and human resources, the program of instruction, purchasing strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)

B. Summary of Significant Accounting Policies

The basic financial statements of the VCS have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The VCS also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The VCS has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The VCS has elected not to apply these FASB Interpretations. The VCS's significant accounting policies are described below.

Basis of Presentation - The VCS uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process - Unlike public school districts located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except House Bill 364, which took effect April 8, 2003, added Ohio Revised Code Section 3314.03(11)(d), which states that community schools must comply with Ohio Revised Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

Cash - All monies received by the VCS are deposited in a demand deposit account.

Capital Assets and Depreciation - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The VCS has maintained a capitalization threshold of \$700. The VCS does not have any infrastructure. 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 capitalized, but are expended when incurred.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Computer equipment is depreciated over three years and copiers and furniture are depreciated over five years.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The VCS applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)

Intergovernmental Revenue - The VCS currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under the State Foundation Program for fiscal year 2009 totaled \$10,232,805.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the VCS must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the VCS on a reimbursement basis. Federal and State grant revenue for the fiscal year 2009 was \$1,156,050.

Estimates - The preparation of financial statements in conformity with GAAP 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.

Compensated Absences Policy - 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 VCS will compensate the employees for the benefits through paid time off. The VCS records a liability for accumulated unused vacation time when earned by employees.

Personal leave benefits are not a liability as it is the policy of the VCS to convert all unused personal leave at fiscal year end to sick leave. Personal leave benefits are not carried over from one year to the next. Sick leave benefits are prescribed by Ohio Revised Code Section 3319.141. Employees accumulate leave at a rate of 1 ¼ days per month to a maximum of 240 days.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the VCS. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the VCS. All revenues and expenses not meeting this definition are reported as non-operating.

C. Change in Accounting Principles

For fiscal year 2009, the VCS has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the VCS.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the VCS.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the VCS.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the VCS.

D. Deposits

At June 30, 2009, the carrying amount of the VCS's deposits was \$1,054,948. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$940,413 of the VCS's bank balance of \$1,190,413 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

E. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/09</u>
Equipment	\$ 2,553,108	\$ 201,414	\$ (45,785)	\$ 2,708,737
Less: accumulated depreciation	<u>(2,039,648)</u>	<u>(192,719)</u>	<u>40,585</u>	<u>(2,191,782)</u>
Capital assets, net	<u>\$ 513,460</u>	<u>\$ 8,695</u>	<u>\$ (5,200)</u>	<u>\$ 516,955</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)

F. Receivables

At June 30, 2009, receivables consisted of tuition and intergovernmental revenues which are considered collectible within one year and presented on the statement of net assets in the amount of \$128,403.

G. Purchased Services

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Professional technical services	\$ 3,941,653
Property services	415,066
Travel and meetings	76,963
Utilities	127,116
Transportation	3,967
Communication services	171
Postage, advertising and shipping	448,177
Other services	<u>319,583</u>
Total	<u>\$ 5,332,696</u>

H. Long-Term Obligations

Changes in the VCS's long-term obligations during fiscal year 2009 were as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/09</u>	<u>Due Within</u> <u>One Year</u>
Payable to ODE	\$ 902,284	\$ -	\$ (569,864)	\$ 332,420	\$ 332,420
Compensated absences	<u>82,618</u>	<u>125,418</u>	<u>(66,390)</u>	<u>141,646</u>	<u>111,586</u>
Total governmental activities long-term liabilities	<u>\$ 984,902</u>	<u>\$125,418</u>	<u>\$ (636,254)</u>	<u>\$ 474,066</u>	<u>\$ 444,006</u>

Payable to ODE: the VCS has recorded a liability for fiscal year 2004 foundation overpayments due to the Ohio Department of Education (ODE). The interest rate is 0% and the repayment began in January 2005 via reductions made by ODE to the VCS's foundation payments. Due to an oversight at ODE, while transitioning to a new method of tracking repayments, no reductions were made during fiscal year 2007. ODE extended the repayment period to compensate for the oversight. Future foundation payments will be reduced to repay the liability.

Compensated absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)

Schedule of payments for the amount payable to ODE is as follows:

Year Ending <u>June 30</u>	<u>Amount</u>
2010	\$ 332,420
Total payments	<u>\$ 332,420</u>

I. Operating Lease-Office Space

On July 1, 2008, the VCS entered into two operating leases with eSchool Consultants, LLC, for office space in the Refugee office building located at 4480 Refugee Road. This office space is made up of 4,513 square feet on the north side of the building and 7,352 square feet on the south side of the building. Lease payments for the north side space were \$1,543 per month from October 2008 through June 2009. Lease payments for the south side space were \$1,000 per month from July 2008 through June 2009.

Lease payments for these offices totaled \$42,960, during fiscal year 2009. Over the term of the leases there are scheduled rent increases but no scheduled rent holidays, and the leases are renewable by either party at expiration. The future minimum lease payments are noted in the following table.

Year Ending <u>June 30</u>	<u>Office Space Leases</u>
2010	\$ 130,502
2011	137,448
2012	142,380
2013	<u>148,312</u>
Total	<u>\$ 558,642</u>

J. Sponsorship Agreement with Reynoldsburg City School District

The VCS has entered into a sponsorship agreement with Reynoldsburg City Schools (the "Sponsor), whereby, the Sponsor shall receive compensation for services provided to VCS. As part of this agreement, the VCS shall compensate the Sponsor 2% of the per-pupil allocation (foundation) paid to the VCS by the State of Ohio. For this fee, the Sponsor shall provide the VCS Treasurer with fiscal oversight and administrative support related to the following:

- i.* Support to ensure that the financial records of the VCS are maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State.
- ii.* Compliance with the policies and procedures regarding internal financial control of the VCS.
- iii.* Compliance with the requirements and procedures for financial audits by the Auditor of State.

**REYNOLDSBURG CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)

During fiscal year 2009, the VCS paid the Sponsor of \$205,109 under this agreement.

K. Consulting Contract

The VCS entered into a consulting contract with eSchool Consultants, LLC, an Ohio Corporation on March 28, 2002 for fifty-one months. This contract was renewed on June 22, 2005 and runs from July 1, 2005 to June 30, 2011. Contract provisions requires eSchool Consultants to design, develop, implement curriculum and instruction programs, recruitment programs, marketing and public relations programs, exemplary interactive computer requirements, staff requirement program, comprehensive grant-seeking programs, a continuous improvement plan and to facilitate the computer/technology lease/purchase agreements. Under the agreement, eSchool consultants shall bill the VCS for services rendered. As services are incurred the VCS is billed. All billings are due within 30 days.

For the fiscal year 2009, eSchool Consultants billed the VCS \$4,656,549, for support and services rendered under the contractual agreement of which \$345,069 is payable at June 30, 2009. This amount is included in the accompanying financial statements as a current liability.

L. Pension Plans

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the VCS is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the VCS's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The VCS's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$134,442, \$128,527 and \$123,652, respectively; 53.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The VCS was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The VCS's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$423,255, \$457,709, and \$434,347, respectively; 83.07 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$8,504 made by the VCS and \$15,691 made by the plan members.

Social Security System - Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The VCS's liability is 6.2% of wages paid.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)

M. Postemployment Benefits

School Employees Retirement System - Plan Description - The VCS participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The VCS's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$83,215, \$80,823 and \$64,597, respectively; 53.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The VCS's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$11,093, \$9,261 and \$8,408, respectively; 53.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The VCS's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$32,558, \$35,208 and \$33,411, respectively; 83.07 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

N. Other Employee Benefits

Medical, Life, Dental and Vision Insurance Benefits - The VCS provides medical benefits through United HealthCare. Dental and life benefits are through MetLife and vision through Vision Service Plan (VSP). The VCS offers individual and family health plans. The Board pays 100% of the premium amounts on individual and picks-up 90% of the premium difference between individual and group policies.

Employees who qualify for individual group benefits are offered an option of compensation of \$125 per month and those who qualify for family group benefits are offered an option of compensation of \$225 per month if they choose to decline the group medical coverage offered.

Compensated Absences - Employees accumulate sick leave at a rate of 1.25 days per month. Unused sick leave may accumulate up to 240 days. Accumulated sick leave earned from other governments can be carried over by certifying the unused sick leave balance to the Treasurer. New employees are credited five sick days in advance which is part of the 15 days that can be accumulated for the year.

Vacation is earned by twelve month employees at the rate indicted in their respective employment contracts.

Employees are allowed three personal days per school year. Unused personal leave within a given year is converted to sick leave.

O. Risk Management

Property and Liability - The VCS is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The VCS maintains insurance coverage for rental/theft, general liability, contents liability. The general liability coverage is in the amount of \$2,000,000 aggregate.

The VCS has coverage for employee dishonesty, forgery and alternation coverage and computer equipment in the amount of \$10,000 for each, per occurrence.

Settled claims have not exceeded these commercial coverages in any of the past 3 years. There has been no significant reduction in amounts of insurance coverage from fiscal 2008.

The VCS owns no real estate, but leases facilities located at 4480 Refugee Road in Columbus, Ohio.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 21 - VIRTUAL COMMUNITY SCHOOL OF OHIO - (Continued)

Workers' Compensation - The VCS pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly gross total payroll by a factor that is calculated by the State of Ohio.

P. Related Party Transactions

Sponsor - As part of the VCS's contractual agreement with the Sponsor, the VCS is required to pay the Sponsor two percent (2%) of the per pupil allocation paid to the VCS from the State of Ohio for various fiscal services and support. In fiscal year 2009, the VCS paid the Sponsor \$205,109.

Superintendent - Mr. James McCord was appointed Superintendent of the VCS during fiscal year 2007. Mr. McCord was previously a board member of the VCS. Mr. McCord's wife, Judy McCord, had a contract salary of \$8,500 to provide consultant services and supervision of the EMIS database. \$8,500 was paid to Judy McCord during fiscal year 2009.

Q. Contingencies

Grants - The VCS received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the VCS at June 30, 2009.

State Foundation Funding - The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. The ODE estimates a total overpayment during fiscal year 2004 was \$2,209,591, which will be repaid by the VCS by reducing the foundation payments they will receive in future periods. The amount remaining unpaid at June 30, 2009 was \$332,420. This amount is recorded as a current liability on the statement of net assets. Of this total, \$332,420 is due in fiscal year 2010. The VCS has not been reviewed as of June 30, 2009. The VCS does not anticipate any significant adjustments to State funding for fiscal year 2009 as a result of the review.

Litigation - The VCS is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 22 - A+ ARTS ACADEMY

A. Description of the School

The A+ Arts Academy, Franklin County, Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide an Academy exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the A+ Arts Academy's tax exempt status. The A+ Arts Academy's objective is to deliver a unique opportunity for students who show a strong interest or talent in the visual arts which can be delivered to students in grades 6 - 8. It is to be operated in cooperation with the public schools to provide an appreciation of the visual arts through studies of its history, theory and design. The Academy, which is part of the state's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was approved for operation under a contract with the Reynoldsburg City School District (the "Sponsor") for a period of five academic years commencing after July 1, 2004. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy is considered a component unit of the Reynoldsburg City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units".

The Academy operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the A+ Arts Academy's one instructional/support facility staffed by 6 non-certified staff members and 10 certificated full time teaching personnel who provide services to 129 students.

B. Summary of Significant Accounting Policies

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply these FASB Interpretations. The A+ Arts Academy's significant accounting policies are described below.

Basis of Presentation - The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 22 - A+ ARTS ACADEMY - (Continued)

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

Measurement Focus and Basis of Accounting - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except House Bill 364, which took effect April 8, 2003, added Ohio Revised Code Section 3314.03(11)(d), which states that community schools must comply with Ohio Revised Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

Cash - All monies received by the Academy are deposited in a demand deposit account.

Capital Assets and Depreciation - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy has maintained a capitalization threshold of \$1,000. The Academy does not have any infrastructure. 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 capitalized, but are expended when incurred.

All capital assets, except land, are depreciated. Depreciation is computed using the straight-line method. Computer equipment is depreciated over three years, copiers and furniture are depreciated over five years, other equipment items are depreciated over 10 years, land improvements are depreciated over 15 years and the building is depreciated over 50 years.

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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount of net assets restricted include the amounts reserved for federally funded programs.

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

Intergovernmental Revenue - The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Foundation revenue received by the Academy during fiscal year 2009 was \$934,554.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 22 - A+ ARTS ACADEMY - (Continued)

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grants for the fiscal year 2009 received by the Academy was \$220,675.

Estimates - The preparation of financial statements in conformity with GAAP 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.

Compensated Absences Policy - Personal leave 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 Academy will compensate the employees for the benefits through paid time off. The Academy records a liability for accumulated unused personal leave time when earned by employees.

C. Change in Accounting Principles

For fiscal year 2009, the Academy has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the Academy.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the Academy.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the Academy.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the Academy.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 22 - A+ ARTS ACADEMY - (Continued)

D. Deposits

At June 30, 2009, the carrying amount of the Academy's deposits was \$79,728. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, all of the Academy's bank balance of \$92,820 was covered by the FDIC.

E. Receivables

At June 30, 2009, receivables consisted of intergovernmental revenues which are considered collectible within one year and presented on the statement of net assets in the amount of \$2,232.

F. Purchased Services

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Professional services	\$ 29,893
Property services	105,782
Utilities	30,006
Contracted food services	39,723
Meeting expense	1,117
Postage, advertising and printing	22,680
Other purchased services	<u>3,154</u>
Total	<u>\$ 232,355</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 22 - A+ ARTS ACADEMY - (Continued)

G. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 147,642	\$ -	\$ -	\$ 147,642
Total capital assets, not being depreciated	<u>147,642</u>	<u>-</u>	<u>-</u>	<u>147,642</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	-	14,289	-	14,289
Building	822,637	-	-	822,637
Furniture and equipment	<u>144,371</u>	<u>19,910</u>	<u>-</u>	<u>164,281</u>
Total capital assets, being depreciated	<u>967,008</u>	<u>34,199</u>	<u>-</u>	<u>1,001,207</u>
<i>Less: accumulated depreciation</i>				
Land improvements	-	(429)	-	(429)
Buildings and improvements	(30,986)	(14,807)	-	(45,793)
Furniture and equipment	<u>(50,274)</u>	<u>(31,157)</u>	<u>-</u>	<u>(81,431)</u>
Total accumulated depreciation	<u>(81,260)</u>	<u>(46,393)</u>	<u>-</u>	<u>(127,653)</u>
Capital assets, net	<u>\$ 1,033,390</u>	<u>\$ (12,194)</u>	<u>\$ -</u>	<u>\$ 1,021,196</u>

H. Long-Term Obligations

The Academy's long-term obligations during fiscal year 2009 were as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/09</u>	<u>Due Within</u> <u>One Year</u>
Mortgage loan payable	\$ 900,028	\$ -	\$ (31,110)	\$ 868,918	\$ 17,372
Compensated absences	<u>7,227</u>	<u>5,321</u>	<u>(7,227)</u>	<u>5,321</u>	<u>5,321</u>
Total long-term liabilities	<u>\$ 907,255</u>	<u>\$ 5,321</u>	<u>\$ (38,337)</u>	<u>\$ 874,239</u>	<u>\$ 22,693</u>

Mortgage loan payable: On May 31, 2006 the Academy issued a mortgage loan in the amount of \$915,000 with an interest rate of 8.25% (variable rate) to be repaid over 30 years and it is currently at an interest rate of 4.25%. The loan was issued to purchase a building which is used as classrooms for the Academy. The building has been included in the Academy's capital assets in the statement of net assets. The debt service requirements for the mortgage loan are as follows:

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 22 - A+ ARTS ACADEMY - (Continued)

Fiscal Year Ended	Principal	Interest	Total
2010	\$ 17,372	\$ 37,329	\$ 54,701
2011	18,080	36,621	54,701
2012	18,881	35,820	54,701
2013	19,718	34,984	54,702
2014	20,591	34,110	54,701
2015 - 2019	117,475	156,034	273,509
2020 - 2024	145,906	127,603	273,509
2025 - 2029	181,216	92,292	273,508
2030 - 2034	225,072	48,437	273,509
2035 - 2036	104,607	4,797	109,404
Total	<u>\$ 868,918</u>	<u>\$ 608,027</u>	<u>\$ 1,476,945</u>

I. Fiscal Agent - Reynoldsburg City School District

The sponsorship agreement states the Treasurer of Reynoldsburg City School District (the “Sponsor”) shall serve as the Treasurer of the Academy. As part of this agreement, the Academy shall compensate the Sponsor 3% of the per pupil allocation (foundation) paid to the Academy by the State of Ohio.

The Treasurer of the Governing Authority shall perform the following functions while serving as the Treasurer of the Academy:

- a. Maintain the financial records of the Academy in the same manner as are financial records of Academy districts, pursuant to rules of the Auditor of State;
- b. Comply with the policies and procedures regarding internal financial control of the Academy; and,
- c. Comply with the requirements and procedures for the financial audits by the Auditor of State.

During the fiscal year the Academy accrued cost payable to the Sponsor and paid \$14,231.

As of February 16, 2009, Jane Fry became Treasurer of the Academy. From that date, the Sponsor no longer performed any of the above duties and the Academy no longer paid the Sponsor 3% of the per pupil allocation.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 22 - A+ ARTS ACADEMY - (Continued)

J. Pension Plans

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$11,625, \$9,910 and \$10,102, respectively; 51.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 22 - A+ ARTS ACADEMY - (Continued)

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$64,542, \$64,682 and \$61,887, respectively; 84.41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$3,781 made by the Academy and \$7,401 made by the plan members.

Social Security System - Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Directors have elected Social Security. The Academy's liability is 6.2% of wages paid.

K. Postemployment Benefits

School Employees Retirement System - Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 22 - A+ ARTS ACADEMY - (Continued)

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,363, \$6,545 and \$3,354, respectively; 51.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$959, \$714 and \$687, respectively; 51.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$4,965, \$4,976 and \$4,761, respectively; 84.41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

L. Other Employee Benefits

Medical, Life, Dental and Vision Insurance Benefits - The Academy provides medical benefits through Medical Mutual. The Academy offers individual and family health plans. The Board pays 75% of the premium amounts for single coverage. Employees pay the entire premium for family coverage.

Compensated Absences - Employees accumulate personal leave at a rate of 5 days per year. Unused personal leave may accumulate up to 10 days.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 22 - A+ ARTS ACADEMY - (Continued)

M. Risk Management

Property and Liability - The Academy is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy maintains insurance coverage for rental/theft, general liability and contents liability.

The Academy has coverage for employee dishonesty, forgery and alternation coverage and computer equipment.

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
Education liability:			
Each occurrence	Ohio Casualty	\$ 1,000,000	\$ 0
Aggregate		2,000,000	0
Building and contents	Ohio Casualty	1,326,968	1,000
Personal Property	Ohio Casualty	200,000	1,000

Property coverage is part of a blanket limit with a total of \$1,000 deductible per loss. There have been no claims for the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal 2008.

Workers' Compensation - The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly gross total payroll by a factor that is calculated by the State.

N. Related Party Transactions

Sponsor - As parts of the Academy's contractual agreement with the Sponsor, the Academy is required to pay the Sponsor 3% of the per pupil allocation paid to the Academy from the State of Ohio for various fiscal services and support. In fiscal year 2009, the Academy paid the governing authority \$14,231 during the year. On February 16, 2009, Jane Fry became Treasurer of the Academy. As of that date, the Academy no longer paid the Sponsor 3% of the per pupil allocation. Any payments made to the Sponsor by the Academy after that date are for purchased services, primarily consisting of fingerprinting services.

O. Contingencies

Grants - The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

Litigation - The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 22 - A+ ARTS ACADEMY - (Continued)

State Foundation Funding - The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation Funding is calculated. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2009 as a result of these reviews, which have yet to be completed.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Year(s)	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
School Breakfast Program	2008/2009	10.553	\$ 446,259	\$ -	\$ 446,259	\$ -
National School Lunch Program	2008/2009	10.555	816,793	143,618	816,793	119,386
Total Nutrition Cluster			<u>1,263,052</u>	<u>143,618</u>	<u>1,263,052</u>	<u>119,386</u>
Total U.S. Department of Agriculture			<u>1,263,052</u>	<u>143,618</u>	<u>1,263,052</u>	<u>119,386</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	2008/2009	84.010	878,012	-	876,771	-
Special Education Cluster:						
Special Education Grants to States	2008/2009	84.027	1,239,981	-	1,172,847	-
Special Education Preschool Grants	2008/2009	84.173	17,202	-	17,202	-
Total Special Education Cluster			<u>1,257,183</u>	<u>-</u>	<u>1,190,049</u>	<u>-</u>
Safe & Drug Free School Communities State Program	2008/2009	84.186	16,439	-	16,936	-
State Grants for Innovative Programs	2008/2009	84.298	3,598	-	10,930	-
Education Technology State Grants	2008/2009	84.318	15,392	-	15,154	-
Title III	2008/2009	84.365	40,085	-	48,568	-
Improving Teacher Quality State Grants	2008/2009	84.367	173,890	-	175,002	-
Total U.S. Department of Education			<u>2,384,599</u>	<u>-</u>	<u>2,333,410</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Education</i>						
Refugee and Immigrant Assistance - Discretionary Grants	2008/2009	93.576	114	-	3,000	-
Total U.S. Department of Health and Human Services			<u>114</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY						
<i>Passed through Ohio Emergency Management Agency:</i>						
Disaster Grants - Public Assistance	2008/2009	97.036	12,414	-	12,378	-
Total U.S. Department of Homeland Security			<u>12,414</u>	<u>-</u>	<u>12,378</u>	<u>-</u>
Total			<u>\$ 3,660,179</u>	<u>\$ 143,618</u>	<u>\$ 3,611,840</u>	<u>\$ 119,386</u>

The accompanying notes are an integral part of this schedule.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. This schedule includes federal receipts and expenditures of the District but does not include the federal receipts and disbursements of the discretely presented component unit. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE D – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, Ohio (the District), as of and for the fiscal year ended June 30, 2009, which collectively comprise Reynoldsburg City School District's basic financial statements and have issued our report thereon dated February 4, 2010. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings as items 2009-01, 2009-02, 2009-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We noted certain matters that we reported to management of the District in a separate letter dated February 4, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated February 4, 2010.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Kennedy Cottrell Richards LLC
February 4, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

Compliance

We have audited the compliance of the Reynoldsburg City School District, Franklin County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The Reynoldsburg City School District's basic financial statements include the operations of the Virtual Community School and A+ Arts Academy, component units of Reynoldsburg City School District. Virtual Community School and A+ Arts Academy received \$1,269,921 and \$235,331 and expended \$1,228,077 and \$232,331, respectively in federal awards during fiscal year 2009 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Reynoldsburg City School District for the fiscal year ended June 30, 2009. Our audit of federal awards, described below, did not include the operations of Virtual Community School and A+ Arts Academy. For the fiscal year ended June 30, 2009, Virtual Community School required a single audit of its Federal Award Programs in accordance with OMB Circular A-133, and a separate report has been issued. A+ Arts Academy expended less than \$500,000 for the fiscal year ended June 30, 2009 and thus was not required to have an audit of its Federal Award Program in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

In a separate letter to the District's management dated February 4, 2010 we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control over Compliance

The management of the District 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2009-04 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings to be a material weakness.

We also noted a matter involving internal control over federal compliance not requiring inclusion in this report that we reported to management of the District in a separate letter dated February 4, 2010.

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

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Kennedy Cottrell Richards LLC
February 4, 2010

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

JUNE 30, 2009

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

2009-01 Significant Deficiency: Cash Reconciliation

It is management's responsibility to ensure that an adequate internal control structure is placed in operation to: prevent or detect misstatements in the accounting records; safeguard the entity's assets against loss; help ensure compliance with laws and regulations; and, provide a basis for measuring whether operations are achieving management's objectives. An effective internal control structure requires that bank statement and fund balances are reconciled on a monthly basis to zero or to an easily identifiable difference.

During fiscal year 2009, the District reconciled bank statements monthly. However, the bank statements and fund balances were not reconciled on a monthly basis to zero or to an easily identifiable difference.

The fiscal year end 2009 differences totaled \$431,203. Subsequent to year-end, the District was able to identify several of the differences and reduce the total difference to \$258,698. The audited financial statements have been adjusted to properly record the identified differences.

We recommend the District implement control procedures to ensure that all reconciling items are promptly investigated and adjusted, if necessary with adequate explanations and approval by the Board. We further recommend that the reconciliation summary be included with the financial statements to the Board each month for its approval.

Official's Response

The District now reconciles the bank statements and balances each month.

2009-02 Significant Deficiency: Financial Reporting

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the District. This responsibility remains intact, even if management decides to outsource this function for efficiency purposes, or any other reason, to another accountant or consultant. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

We identified misstatements that were not necessarily material, but were more than inconsequential in the District's financial statements. The misstatements are a strong indicator the District does not have sufficient internal control procedures in place related to financial reporting.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2009

2009-02 Significant Deficiency: Financial Reporting (continued)

We recommend the District implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes. Control procedures could include a separate review and analysis of the compiled financial statements and related journal entries by someone within management who is knowledgeable of generally accepted accounting principles.

Official's Response

The Treasurer's office will review the GAAP reports prepared by the accounting firm.

2009-03 Significant Deficiency: Food Service Receipts

The District's employees should perform certain internal control procedures to ensure completeness and accuracy of daily food service receipts and data. These procedures when completed should be evidenced by initials and/or signatures. Such documentation provides evidence that reviews, re-computations, and verifications to source documentation have been completed.

All of the District's schools use a point-of-sale system to process the food service activity. At the end of each day, each cashier is required to reconcile the cash drawer to the point-of-sale system using the daily cash reconciliation report. This report should then be reviewed and approved by the Head Cook.

Additionally, at the end of each week, each location is required to send their deposit slips along with the daily balancing reports to the Treasurer's Office. The staff within the Treasurer's Office is then supposed to compare the amounts deposited to the deposit slip and the daily balancing reports to ensure that all amounts have been properly deposited and this should be indicated by signing off on the deposit slip.

During our testing, we noted the following:

- There was no indication the head cook reviewed or approved the cash reconciliation reports for 50 of 60 location days of service tested;
- There was no indication of the amounts deposited were compared to the deposit slip and the daily balancing for 59 of the location days of service tested due to there being no signoffs on the deposit slips.

Though there was a lack of evidence of review at the necessary levels, we did note there was indication of at least one review performed over each of the day's activities.

We recommend all employees involved in food service operations indicate their review, re-computations, and verification with initials and/or signatures. Such procedures should become a routine part of processing food service receipt transactions.

Official's Response

The Head Cooks and Food Service Coordinator were both performing these duties, but were not documenting their reviews. The Head Cooks are now signing off on the cash reconciliation reports. The Food Service Coordinator is now signing off on the daily balancing reports after she compares them to the bank deposits.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

JUNE 30, 2009

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA Title and Number	Nutrition Cluster CFDA # 10.553 CFDA # 10.555
Grant Year	2009
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2009-04

Significant Deficiency: Eligibility

It is management's responsibility to ensure that an adequate internal control structure is placed in operation to help ensure compliance with laws and regulations; and, provide a basis for measuring whether operations are achieving management's objectives. An effective internal control structure requires that free and reduced meal applications are reviewed by some have knowledge of the eligibility requirements.

The District receives federal reimbursement under the Nutrition Cluster programs based on the number of free and reduced meals served to students. For a student to be considered to free or reduced, certain eligibility criteria must be met. Among other methods, a free or reduced application must be completed by the students' parent or guardian. This application should then be reviewed by the Food Service Coordinator to determine if the student meets the criteria to be free or reduced and that the determination is proper. The Food Service Coordinator should then signoff in the noted area on the application

We noted that the Food Service Coordinator did not sign-off on 56 of the 60 applications tested.

Though the applications were not properly approved, we did not note any eligibility errors in the determination of the students free or reduced status.

We recommend the Food Service Coordinator indicate her review of the Free and Reduced meal applications with initials and/or signature.

Official's Response

The Food Service Coordinator reviews all free and reduced lunch applications. She is now documenting her review by initialing the applications.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-RCSD-001	Significant Deficiency/ Material Weakness – Financial Reporting	No	Repeated as comment 2009-02
2008-RCSD-002	Significant Deficiency - the bank statement and fund balances were not reconciled on a monthly basis to zero or to an easily identifiable difference.	No	Repeated as comment 2009-01
2008-RCSD-003	Significant deficiency/ Noncompliance - Ohio Revised Code Section 117.38 which requires the annual GAAP report to be filed within one hundred fifty days after the close of the fiscal year.	Yes	Finding No Longer Valid

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

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

1. We noted the Board adopted an anti-harassment policy at its meeting on September 18, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Kennedy Cottrell Richards LLC
February 4, 2010



Mary Taylor, CPA
Auditor of State

REYNOLDSBURG CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2010**