

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011*

**KRISTEN RHOADS, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Circleville City School District  
388 Clark Drive  
Circleville, Ohio 43113

We have reviewed the *Independent Accountants' Report* of the Circleville City School District, Pickaway County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 Circleville City School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

March 5, 2012

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**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Accountants' Report

Circleville City School District  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, each major fund, and the aggregate remaining fund information of the Circleville City School District, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2011, the Circleville City School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011 on our consideration of the Circleville City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Julian & Grube, Inc.  
December 20, 2011



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

The management's discussion and analysis of the Circleville 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, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities increased \$29,901,342 which represents a 165.27% increase from 2010.
- General revenues accounted for \$51,926,844 in revenue or 88.07% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,031,046 or 11.93% of total revenues of \$58,957,890.
- The District had \$29,056,548 in expenses related to governmental activities; only \$7,031,046 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$51,926,844 were adequate to provide for these programs.
- The District's major funds are the general fund and the classroom facilities fund. The general fund had \$22,884,251 in revenues and \$20,275,799 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance increased \$2,604,718 from a restated balance of \$12,906,367 to a balance of \$15,511,085.
- The classroom facilities fund had \$41,677,336 in revenues and other financing sources and \$1,576,893 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance increased \$40,100,443 from a zero balance to a balance of \$40,100,443.

**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. In the case of the District, the general fund and the classroom facilities fund are the only major funds.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**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 2011?" 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 13-14 of this report.

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

**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 funds are the general fund and the 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 that 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 15-19 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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 22-58 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 2011 compared to fiscal year 2010.

	<b>Net Assets</b>	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 101,816,153	\$ 24,757,806
Capital assets, net	<u>6,652,715</u>	<u>5,910,063</u>
Total assets	<u>108,468,868</u>	<u>30,667,869</u>
<b><u>Liabilities</u></b>		
Current liabilities	12,233,804	10,243,191
Long-term liabilities	<u>48,241,705</u>	<u>2,332,661</u>
Total liabilities	<u>60,475,509</u>	<u>12,575,852</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of debt	6,057,983	5,425,258
Restricted	27,662,610	1,165,606
Unrestricted	<u>14,272,766</u>	<u>11,501,153</u>
Total net assets	<u>\$ 47,993,359</u>	<u>\$ 18,092,017</u>

Net assets increased \$29,901,342 or 165.27%, due to a significant increase in intergovernmental receivables. At year end the State owed the District \$23,945,523 for their share of the Ohio School Facilities Commission (OSFC) project.

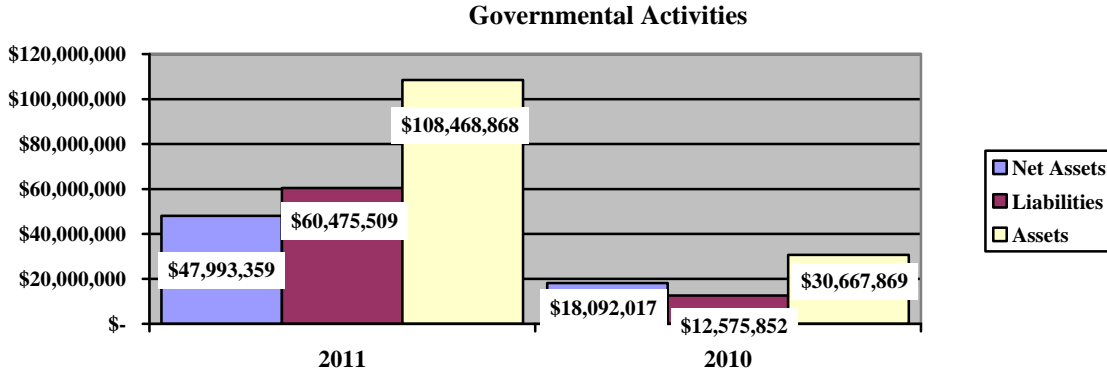
At year end, capital assets represented 6.13% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$6,057,983. These 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, \$27,662,610, represents resources that are subject to external restriction on how they may be used.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

The graph below shows the District's assets, liabilities and net assets at June 30, 2011 and 2010:



The table below shows the change in net assets for fiscal year 2011 and 2010. The 2010 balance of operating grants and contributions and general revenues – grants and entitlements have been restated to conform to 2011's presentation of Pathway to Student Success (PASS) funding from the State of Ohio which is reported as an operating grant and contribution rather than as general revenue.

**Change in Net Assets**

	Governmental Activities	
	2011	Restated 2010
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,044,464	\$ 1,090,684
Operating grants and contributions	5,553,948	4,452,275
Capital grants and contributions	432,634	-
General revenues:		
Property taxes	11,472,429	8,012,585
Revenue in lieu of taxes	106,525	56,200
School district income taxes	1,435,763	1,414,108
Grants and entitlements	38,643,556	10,970,545
Investment earnings	182,717	128,273
Other	85,854	73,395
Total revenues	<u>58,957,890</u>	<u>26,198,065</u>

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**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

	Governmental Activities	
	2011	2010
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 11,805,073	\$ 10,853,017
Special	2,892,445	2,975,585
Vocational	121,008	126,287
Other	107,019	106,691
Support services:		
Pupil	1,043,816	1,163,576
Instructional staff	3,700,745	3,407,089
Board of education	144,872	237,311
Administration	1,972,296	1,983,315
Fiscal	604,941	589,271
Operations and maintenance	1,655,385	2,032,696
Pupil transportation	964,932	778,927
Operation of non-instructional services:		
Other non-instructional services	120,828	96,906
Food service operations	1,099,613	1,093,329
Extracurricular activities	545,811	512,119
Interest and fiscal charges	2,277,764	41,146
 Total expenses	 29,056,548	 25,997,265
 Changes in net assets	 29,901,342	 200,800
Net assets at beginning of year	18,092,017	17,891,217
Net assets at end of year	\$ 47,993,359	\$ 18,092,017

**Governmental Activities**

Net assets of the District's governmental activities increased \$29,901,342. Total governmental expenses of \$29,056,548 were offset by program revenues of \$7,031,046 and general revenues of \$51,926,844. Program revenues supported 24.20% of the total governmental expenses.

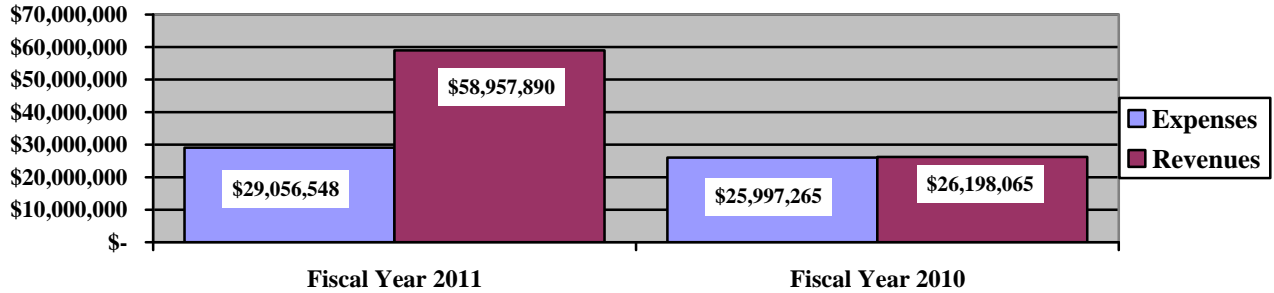
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements not restricted to specific programs. These revenue sources represent 41.04% of total governmental revenue. Real estate property is reappraised every six years. Although recent growth had a positive effect on the District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This State law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. The increase in grants and entitlements is due to the revenue received and outstanding from the State in relation to their share of the OSFC project. The State's share of the project is \$27,457,590 or 42%. The State's total share has booked as revenue in the current year, because fiscal year 2011 is the year in which it was due.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2011 and 2010.

**Governmental Activities - Revenues and Expenses**



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. The 2010 net cost of services for special instruction has been restated to conform to 2011's presentation of PASS funding from the State of Ohio which is reported as an operating grant and contribution offsetting special instruction.

**Governmental Activities**

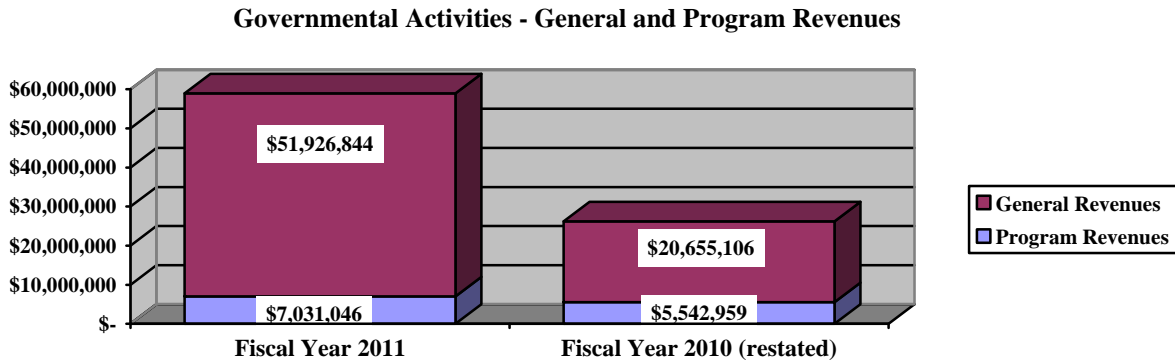
	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Restated Net Cost of Services <u>2010</u>
Program expenses:				
Instruction:				
Regular	\$ 11,805,073	\$ 10,753,066	\$ 10,853,017	\$ 9,357,551
Special	2,892,445	1,131,864	2,975,585	1,876,189
Vocational	121,008	61,803	126,287	48,447
Other	107,019	107,019	106,691	106,691
Support services:				
Pupil	1,043,816	1,040,793	1,163,576	1,107,270
Instructional staff	3,700,745	2,014,538	3,407,089	2,162,850
Board of Education	144,872	139,872	237,311	237,311
Administration	1,972,296	1,283,605	1,983,315	1,765,437
Fiscal	604,941	604,941	589,271	589,271
Operations and maintenance	1,655,385	1,642,245	2,032,696	1,968,969
Pupil transportation	964,932	949,249	778,927	760,580
Operation of non-instructional services:				
Other non-instructional services	120,828	30,150	96,906	(5,596)
Food service operations	1,099,613	9,167	1,093,329	37,257
Extracurricular activities	545,811	412,060	512,119	400,933
Interest and fiscal charges	2,277,764	1,845,130	41,146	41,146
<b>Total expenses</b>	<b>\$ 29,056,548</b>	<b>\$ 22,025,502</b>	<b>\$ 25,997,265</b>	<b>\$ 20,454,306</b>

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

The dependence upon tax and other general revenues for governmental activities is apparent, 80.76% of instruction activities in fiscal year 2011 are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.80%. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2011 and 2010.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$64,371,745 which is higher than last year's total of \$13,130,166. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The fund balances at June 30, 2010 have been restated as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	<u>Increase</u>
General	\$ 15,511,085	\$ 12,906,367	\$ 2,604,718
Classroom Facilities	40,100,443	-	40,100,443
Other governmental	<u>8,760,217</u>	<u>223,799</u>	<u>8,536,418</u>
<b>Total</b>	<u>\$ 64,371,745</u>	<u>\$ 13,130,166</u>	<u>\$ 51,241,579</u>

**General Fund**

The District's general fund balance increased \$2,604,718. Tax revenues increased due to an increase in the amount of taxes available for advance from the County Auditor. Earnings on investments decreased due to decreased interest rates. Intergovernmental revenues decreased due to a decrease in the amount of school foundation revenues received. Expenditures related to instruction and support services decreased during the year due to a decrease in personnel costs. The facilities acquisition and construction in 2010 relates to the purchase of land, the District did not make any similar purchases in the current fiscal year.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 10,860,451	\$ 8,931,418	21.60 %
Earnings on investments	109,261	132,053	(17.26) %
Intergovernmental	11,153,130	11,426,392	(2.39) %
Other revenues	<u>761,409</u>	<u>712,111</u>	6.92 %
Total	<u>\$ 22,884,251</u>	<u>\$ 21,201,974</u>	7.93 %
<b><u>Expenditures</u></b>			
Instruction	\$ 12,120,833	\$ 12,263,351	(1.16) %
Support services	7,219,630	8,411,945	(14.17) %
Extracurricular activities	394,388	383,925	2.73 %
Operation of non-instructional services	2,160	2,235	(3.36) %
Facilities acquisition and construction	392,087	1,177,754	(66.71) %
Debt service	<u>31,701</u>	<u>31,463</u>	0.76 %
Total	<u>\$ 20,160,799</u>	<u>\$ 22,270,673</u>	(9.47) %

**Classroom Facilities Fund**

The classroom facilities fund had \$41,677,336 in revenues and other financing sources and \$1,576,893 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance increased \$40,100,443 from a zero balance to a balance of \$40,100,443.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$21,831,725, which was higher than the original budgeted revenues estimate of \$21,624,598. Actual revenues and other financing sources for fiscal year 2011 were \$21,636,201. This represents an \$11,603 increase over original revenues.

General fund original appropriations and other financing uses of \$23,192,896 were decreased to \$22,800,306 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$22,085,127, which was \$715,179 less than the final budget appropriations. The decrease in actual expenditures over budgeted is due to salary and benefit costs proving to be lower than anticipated in the final budget.



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2011, the District had \$6,652,715 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 year 2011 balances compared to 2010:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,729,514	\$ 1,378,392
Construction in progress	1,641,390	-
Land improvements	16,892	33,019
Building and improvements	2,885,667	3,053,175
Furniture and equipment	200,142	1,018,538
Vehicles	<u>179,110</u>	<u>426,939</u>
<b>Total</b>	<b><u>\$ 6,652,715</u></b>	<b><u>\$ 5,910,063</u></b>

The overall increase in capital assets is due to capital outlays of \$2,011,175 exceeding depreciation expense of \$247,982 and disposals (net of accumulated depreciation) of \$1,020,541 in the current period.

See Note 9 to the basic financial statements for detail.

**Debt Administration**

At June 30, 2011, the District had \$331,058 in a lease purchase agreement, \$299,000 in energy conservation notes, \$7,000,000 in certificates of participation and \$37,980,154 in general obligation bonds outstanding. Of this total, \$867,090 is due within one year and \$44,743,122 is due within greater than one year. The following table summarizes the liabilities outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2011</u>	<u>2010</u>
Lease purchase agreement	\$ 331,058	\$ 484,805
Energy conservation notes	299,000	318,000
Certificates of participation	7,000,000	-
General obligation bonds	<u>37,980,154</u>	<u>-</u>
<b>Total</b>	<b><u>\$45,610,212</u></b>	<b><u>\$ 802,805</u></b>

See Note 10 to the basic financial statements for detail on the District's debt administration.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**Current Financial Related Activities**

The challenge for the District's management is to continue to provide the resources necessary to meet student needs and to stay within the five-year forecast. The five-year forecast is utilized by the District to effectively and efficiently manage the District's resources to their fullest.

In May of 2010, the District was successful in passing a \$37,917,624 bond Issue. This bond issue will be used to fund the construction of an Ohio School Facilities Commission project. This project will be to build a new Pre-Kindergarten through 12th grade school campus.

In fiscal year 2010, the District negotiated with the Circleville Education Association. The outcome was a three year agreement. The Association also agreed to participate in the Race to the Top. The Board of Education approved a Classified Employees Handbook for the same time period. Both agreements included a 2.5% pay increase each year.

**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: Kristen Rhoads, Treasurer at Circleville City School District, 388 Clark Drive, Circleville, Ohio, 43113.

**BASIC  
FINANCIAL STATEMENTS**

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 63,371,894
Cash with fiscal agent . . . . .	2,994
Receivables:	
Property taxes . . . . .	12,260,297
Income taxes. . . . .	456,050
Accounts. . . . .	1,639
Intergovernmental . . . . .	25,150,836
Accrued interest . . . . .	31,329
Prepayments . . . . .	24,542
Materials and supplies inventory. . . . .	24,367
Unamortized bond issuance costs . . . . .	492,205
Capital assets:	
Land and construction in progress. . . . .	3,370,904
Depreciable capital assets, net. . . . .	3,281,811
Capital assets, net. . . . .	6,652,715
Total assets. . . . .	108,468,868
<b>Liabilities:</b>	
Accounts payable. . . . .	29,683
Contracts payable. . . . .	358,190
Accrued wages and benefits . . . . .	2,235,559
Pension obligation payable. . . . .	590,001
Intergovernmental payable . . . . .	98,920
Accrued interest payable . . . . .	395,258
Unearned revenue . . . . .	8,526,193
Long-term liabilities:	
Due within one year. . . . .	1,014,076
Due in more than one year. . . . .	47,227,629
Total liabilities . . . . .	60,475,509
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	6,057,983
Restricted for:	
Capital projects . . . . .	26,630,894
Debt service. . . . .	899,540
Locally funded programs . . . . .	1,900
State funded programs. . . . .	1,231
Federally funded programs . . . . .	1
Student activities . . . . .	85,880
Other purposes . . . . .	43,164
Unrestricted. . . . .	14,272,766
Total net assets . . . . .	\$ 47,993,359

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 11,805,073	\$ 507,994	\$ 544,013	\$ -	\$ (10,753,066)
Special . . . . .	2,892,445	47,896	1,712,685	-	(1,131,864)
Vocational . . . . .	121,008	-	59,205	-	(61,803)
Other . . . . .	107,019	-	-	-	(107,019)
Support services:					
Pupil . . . . .	1,043,816	-	3,023	-	(1,040,793)
Instructional staff . . . . .	3,700,745	-	1,686,207	-	(2,014,538)
Board of education . . . . .	144,872	-	5,000	-	(139,872)
Administration . . . . .	1,972,296	-	688,691	-	(1,283,605)
Fiscal . . . . .	604,941	-	-	-	(604,941)
Operations and maintenance . . . . .	1,655,385	13,140	-	-	(1,642,245)
Pupil transportation . . . . .	964,932	-	15,683	-	(949,249)
Operation of non-instructional services:					
Other non-instructional services . . . . .	120,828	-	90,678	-	(30,150)
Food service operations . . . . .	1,099,613	364,020	726,426	-	(9,167)
Extracurricular activities . . . . .	545,811	111,414	22,337	-	(412,060)
Interest and fiscal charges . . . . .	2,277,764	-	-	432,634	(1,845,130)
<b>Totals . . . . .</b>	<b>\$ 29,056,548</b>	<b>\$ 1,044,464</b>	<b>\$ 5,553,948</b>	<b>\$ 432,634</b>	<b>(22,025,502)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	9,240,206
Debt service . . . . .	1,584,531
Capital outlay . . . . .	647,692
School district income taxes . . . . .	1,435,763
Revenue in lieu of taxes . . . . .	106,525
Grants and entitlements not restricted to specific programs . . . . .	11,185,966
Grants and entitlements restricted for Ohio School Facilities Commission . . . . .	27,457,590
Investment earnings . . . . .	182,717
Miscellaneous . . . . .	85,854
<b>Total general revenues . . . . .</b>	<b>51,926,844</b>
<b>Change in net assets . . . . .</b>	<b>29,901,342</b>
<b>Net assets at beginning of year . . . . .</b>	<b>18,092,017</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 47,993,359</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 13,518,570	\$ 40,457,925	\$ 9,373,146	\$ 63,349,641
Cash with fiscal agent. . . . .	-	-	2,994	2,994
Receivables:				
Property taxes. . . . .	9,141,893	-	3,118,404	12,260,297
Income taxes . . . . .	456,050	-	-	456,050
Accounts . . . . .	1,475	-	164	1,639
Intergovernmental. . . . .	6,596	23,945,523	1,198,717	25,150,836
Accrued interest. . . . .	9,913	17,691	3,725	31,329
Interfund loans . . . . .	1,237,506	-	-	1,237,506
Prepayments. . . . .	24,542	-	-	24,542
Materials and supplies inventory . . . . .	13,000	-	11,367	24,367
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	22,253	-	-	22,253
Total assets . . . . .	<u>\$ 24,431,798</u>	<u>\$ 64,421,139</u>	<u>\$ 13,708,517</u>	<u>\$ 102,561,454</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 18,008	\$ -	\$ 11,675	\$ 29,683
Contracts payable. . . . .	-	358,190	-	358,190
Accrued wages and benefits . . . . .	1,807,012	-	428,547	2,235,559
Compensated absences payable. . . . .	20,660	-	-	20,660
Pension obligation payable . . . . .	464,041	-	125,960	590,001
Intergovernmental payable . . . . .	85,421	-	13,499	98,920
Interfund loans payable. . . . .	-	-	1,237,506	1,237,506
Deferred revenue . . . . .	262,957	23,962,506	867,534	25,092,997
Unearned revenue. . . . .	6,262,614	-	2,263,579	8,526,193
Total liabilities. . . . .	<u>8,920,713</u>	<u>24,320,696</u>	<u>4,948,300</u>	<u>38,189,709</u>
<b>Fund Balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	13,000	-	11,367	24,367
Prepayments . . . . .	24,542	-	-	24,542
Restricted:				
Debt service . . . . .	-	-	1,224,320	1,224,320
Capital improvements . . . . .	-	40,100,443	8,277,170	48,377,613
Food service operations . . . . .	-	-	24,911	24,911
Other purposes. . . . .	-	-	12,697	12,697
Extracurricular. . . . .	-	-	85,880	85,880
School bus purchases . . . . .	22,253	-	-	22,253
Committed:				
Extracurricular. . . . .	352,122	-	-	352,122
Student and staff support . . . . .	51,071	-	-	51,071
Assigned:				
Student instruction . . . . .	45,498	-	-	45,498
Student and staff support. . . . .	348,770	-	-	348,770
Unassigned (deficit) . . . . .	14,653,829	-	(876,128)	13,777,701
Total fund balances . . . . .	<u>15,511,085</u>	<u>40,100,443</u>	<u>8,760,217</u>	<u>64,371,745</u>
Total liabilities and fund balances . . . . .	<u>\$ 24,431,798</u>	<u>\$ 64,421,139</u>	<u>\$ 13,708,517</u>	<u>\$ 102,561,454</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011

<b>Total governmental fund balances</b>		\$ 64,371,745
<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.		6,652,715
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 352,655	
Accrued interest receivable	20,335	
Intergovernmental receivable	24,720,007	
Total		25,092,997
Bond issuance costs are not recognized in the funds.		492,205
Unamortized premiums on bond issuances are not recognized in the funds.		(1,028,305)
On the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.		(395,258)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(37,980,154)	
Certificates of participation	(7,000,000)	
Energy conservation notes	(299,000)	
Lease purchase obligation	(331,058)	
Compensated absences	(1,582,528)	
Total		(47,192,740)
<b>Net assets of governmental activities</b>		<b>\$ 47,993,359</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 9,424,688	\$ -	\$ 2,167,438	\$ 11,592,126
Income taxes . . . . .	1,435,763	-	-	1,435,763
Tuition . . . . .	432,408	-	-	432,408
Charges for services . . . . .	-	-	364,020	364,020
Earnings on investments . . . . .	109,261	55,118	7,620	171,999
Extracurricular . . . . .	96,177	-	111,414	207,591
Classroom materials and fees . . . . .	28,774	-	-	28,774
Rental income . . . . .	13,140	-	-	13,140
Other local revenues . . . . .	84,385	-	46,272	130,657
Revenue in lieu of taxes . . . . .	106,525	-	-	106,525
Intergovernmental - state . . . . .	11,081,649	3,512,067	565,656	15,159,372
Intergovernmental - federal . . . . .	71,481	-	5,399,705	5,471,186
Total revenues . . . . .	<u>22,884,251</u>	<u>3,567,185</u>	<u>8,662,125</u>	<u>35,113,561</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	10,094,405	-	641,542	10,735,947
Special . . . . .	1,869,934	-	1,000,795	2,870,729
Vocational . . . . .	49,475	-	61,633	111,108
Other . . . . .	107,019	-	-	107,019
Support services:				
Pupil . . . . .	1,023,773	-	20,648	1,044,421
Instructional staff . . . . .	1,928,305	-	1,743,334	3,671,639
Board of education . . . . .	144,854	-	-	144,854
Administration . . . . .	1,239,454	-	725,311	1,964,765
Fiscal . . . . .	565,382	-	35,262	600,644
Operations and maintenance . . . . .	1,622,329	3,325	27	1,625,681
Pupil transportation . . . . .	695,533	-	14,819	710,352
Operation of non-instructional services:				
Other non-instructional services . . . . .	2,160	-	111,342	113,502
Food service operations . . . . .	-	-	1,067,904	1,067,904
Extracurricular activities . . . . .	394,388	-	132,661	527,049
Facilities acquisition and construction . . . . .	392,087	1,381,041	260,349	2,033,477
Debt service:				
Principal retirement . . . . .	19,000	-	153,747	172,747
Interest and fiscal charges . . . . .	12,701	192,527	1,663,827	1,869,055
Bond issuance costs . . . . .	-	-	510,802	510,802
Note issuance costs . . . . .	-	-	77,732	77,732
Total expenditures . . . . .	<u>20,160,799</u>	<u>1,576,893</u>	<u>8,221,735</u>	<u>29,959,427</u>
Excess of revenues over expenditures . . . . .	<u>2,723,452</u>	<u>1,990,292</u>	<u>440,390</u>	<u>5,154,134</u>
<b>Other financing sources (uses):</b>				
Premium on bonds sold . . . . .	-	-	1,057,518	1,057,518
Premium on notes sold . . . . .	-	-	115,161	115,161
Sale of bonds . . . . .	-	11,260,000	26,657,618	37,917,618
Certificates of participation issued . . . . .	-	-	7,000,000	7,000,000
Transfers in . . . . .	-	26,850,151	115,000	26,965,151
Transfers (out) . . . . .	(115,000)	-	(26,850,151)	(26,965,151)
Total other financing sources (uses) . . . . .	<u>(115,000)</u>	<u>38,110,151</u>	<u>8,095,146</u>	<u>46,090,297</u>
Net change in fund balances . . . . .	2,608,452	40,100,443	8,535,536	51,244,431
<b>Fund balances at beginning of year (restated) . . . . .</b>	12,906,367	-	223,799	13,130,166
<b>Increase (decrease) in reserve for inventory . . . . .</b>	(3,734)	-	882	(2,852)
<b>Fund balances at end of year . . . . .</b>	<u>\$ 15,511,085</u>	<u>\$ 40,100,443</u>	<u>\$ 8,760,217</u>	<u>\$ 64,371,745</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Net change in fund balances - total governmental funds</b>	\$	51,244,431
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 2,011,175	
Current year depreciation	<u>(247,982)</u>	
Total		1,763,193
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(1,020,541)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(2,852)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(119,697)	
Earnings on investments	10,734	
Intergovernmental	<u>23,945,103</u>	
Total		23,836,140
Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		172,747
Issuances of bonds and certificates of participation are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as they increase liabilities on the statement of net assets.		
		(44,917,618)
Premiums on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:		
Premiums on bonds	(1,057,518)	
Bond issuance costs	<u>510,802</u>	
Total		(546,716)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(394,218)	
Accreted interest on capital appreciation bonds	(62,536)	
Amortization of bond issuance costs	(18,597)	
Amortization of bond premiums	<u>29,213</u>	
Total		(446,138)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(181,304)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>29,901,342</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT**  
**PICKAWAY 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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 7,770,298	\$ 7,847,881	\$ 7,726,472	\$ (121,409)
Income taxes. . . . .	1,395,822	1,410,162	1,428,054	17,892
Tuition. . . . .	413,810	418,778	494,713	75,935
Earnings on investments. . . . .	177,232	178,162	92,580	(85,582)
Extracurricular. . . . .	35	35	-	(35)
Classroom materials and fees . . . . .	32,379	32,668	28,788	(3,880)
Rental income . . . . .	11,493	11,625	13,140	1,515
Other local revenues . . . . .	70,251	71,099	84,494	13,395
Revenue in lieu of taxes . . . . .	53,967	55,036	106,525	51,489
Intergovernmental - state. . . . .	11,103,324	11,209,421	11,081,649	(127,772)
Intergovernmental - federal . . . . .	84,233	85,104	86,694	1,590
Total revenues . . . . .	<u>21,112,844</u>	<u>21,319,971</u>	<u>21,143,109</u>	<u>(176,862)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	9,993,549	9,756,724	9,844,137	(87,413)
Special. . . . .	2,166,120	2,110,234	1,875,763	234,471
Vocational. . . . .	102,131	100,997	34,922	66,075
Other. . . . .	207,831	205,935	104,549	101,386
Support services:				
Pupil. . . . .	1,055,083	1,021,927	1,020,691	1,236
Instructional staff . . . . .	2,245,543	2,184,721	1,905,231	279,490
Board of education . . . . .	264,265	258,776	168,965	89,811
Administration. . . . .	1,808,005	1,856,517	1,323,041	533,476
Fiscal . . . . .	672,541	655,465	571,845	83,620
Operations and maintenance. . . . .	2,247,948	2,238,783	1,944,535	294,248
Pupil transportation . . . . .	780,135	756,522	747,998	8,524
Operation of non-instructional services:				
Other non-instructional services. . . . .	619	1,690	578	1,112
Extracurricular activities . . . . .	383,798	370,927	396,218	(25,291)
Facilities acquisition and construction . . . . .	1,214,175	1,230,965	744,208	486,757
Debt service:				
Principal . . . . .	19,617	19,000	19,000	-
Interest and fiscal charges . . . . .	13,876	13,463	12,701	762
Total expenditures. . . . .	<u>23,175,236</u>	<u>22,782,646</u>	<u>20,714,382</u>	<u>2,068,264</u>
Excess of expenditures over revenues. . . . .	(2,062,392)	(1,462,675)	428,727	1,891,402
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures. . . . .	8,189	8,189	8,189	-
Refund of prior year's receipts . . . . .	(1,000)	(1,000)	-	1,000
Transfers in . . . . .	18,662	18,662	-	(18,662)
Transfers (out) . . . . .	(16,660)	(16,660)	(115,000)	(98,340)
Advances in. . . . .	484,903	484,903	484,903	-
Advances (out) . . . . .	-	-	(1,255,745)	(1,255,745)
Total other financing sources (uses) . . . . .	<u>494,094</u>	<u>494,094</u>	<u>(877,653)</u>	<u>(1,371,747)</u>
Net change in fund balance . . . . .	(1,568,298)	(968,581)	(448,926)	519,655
<b>Fund balance at beginning of year (restated). . . . .</b>	<b>12,355,605</b>	<b>12,355,605</b>	<b>12,355,605</b>	<b>-</b>
<b>Prior year encumbrances appropriated. . . . .</b>	<b>258,447</b>	<b>258,447</b>	<b>258,447</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 11,045,754</b>	<b>\$ 11,645,471</b>	<b>\$ 12,165,126</b>	<b>\$ 519,655</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investements . . . . .	\$ 32,763	\$ 86,242
Total assets. . . . .	<u>32,763</u>	<u>\$ 86,242</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 232
Intergovernmental payable . . . . .	-	8
Due to students. . . . .	-	86,002
Total liabilities . . . . .	<u>-</u>	<u>\$ 86,242</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>32,763</u>	
Total net assets . . . . .	<u>\$ 32,763</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 1
Total additions. . . . .	1
 <b>Deductions:</b>	
Scholarships awarded . . . . .	1,000
Change in net assets. . . . .	(999)
<b>Net assets at beginning of year . . . . .</b>	<b>33,762</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 32,763</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

The Circleville 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 227<sup>th</sup> largest by enrollment among the 918 public and community school districts in the State. The District employs 190 non-certified and 233 certified employees to provide services to approximately 2,182 students and community groups. The District provides regular instruction, special instruction and vocational programs through the Pickaway-Ross Career and Technology Center. 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, pupil transportation, food services, extracurricular activities and non-programmed services. The District co-operates with the Pickaway County Educational Service Center, a separate entity, for curricular 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'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 no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

South Central Ohio Computer Association

The District is a participant in the South Central Ohio Computer Association (“SCOCA”) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Jackson, Vinton, Pickaway, Gallia, Ross and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The District paid \$182,769 to SCOCA for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway County Public Employer Benefits Program

The District has joined with Teays Valley Local School District, Logan Elm Local School District and Westfall Local School District to form the Pickaway County Public Employer Benefits Program (“PCPEBP”), a public entity shared risk pool organized to provide health care benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by their superintendent or superintendent designee. Logan Elm Local School District serves as fiscal agent for the PCPEBP. To obtain financial information, write Steve McAfee, Treasurer, Logan Elm Local School District, 9579 Tarlton Road, Circleville, Ohio 43113-9448.

Pickaway-Ross Career and Technology Center

The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Ben Van Horn, Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

School Study Council of Ohio

The School Study Council of Ohio (“SSCO”), created in 1965, of which the District is a member, is a non-profit organization of fifty-six school districts, eleven educational service centers, four colleges of education and eight related educational schools and agencies from thirty counties. It is owned and governed by the member organizations with a Board of Trustees representing member organizations. Their mission is to enable district improvement through planning assistance, professional development, funding and related resource acquisition, research, system assessment and impact evaluation, leadership development and other personalized technical assistance. The District has no ongoing financial interest or ongoing financial responsibility to the Council. To obtain the SSCO annual report, write to the School Study Council of Ohio, 2080 Citygate Drive, Columbus Ohio 43219.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

*PUBLIC ENTITY RISK POOL*

Workers' Compensation

The District participates in the Ohio Association of School Business Officials (OASBO)/ Sheakley UniServe Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by Sheakley UniServe, Inc. 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 District pays a 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 and report all financial resources not accounted for and reported 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.

Classroom facilities fund - A capital projects fund is used to account for and report monies received that are restricted for expenditures in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

*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 proprietary funds.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. 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.

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 full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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. 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.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

**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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the period in which the income was 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, 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, 2011, but which were levied to finance fiscal year 2012 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, 2011, 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 received 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.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

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 (except agency funds). The specific timetable for fiscal year 2011 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.
2. By no later than January 20, the Board-adopted budget is filed with the Pickaway 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 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 amended certificate of estimated resources issued for fiscal year 2011.
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.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

7. Appropriation amounts are as originally adopted, which are the permanent appropriations, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, if the line item transfer does not exceed \$10,000. All supplemental appropriations were legally enacted. The final budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year. During the year, supplemental appropriations were legally enacted by the Board, none of which were significant.
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 is pooled. Monies and investments for all 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 investments" on the basic financial statements.

During fiscal year 2011, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, U.S. Government money market funds, U.S. Government discount notes, U.S. Treasury Bills and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2011. 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, 2011.

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 2011 amounted to \$109,261, which includes \$19,761 assigned from other District funds.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

**G. Inventory**

On government-wide 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 government wide financial statements and the purchase method on the fund financial statements. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis and is expensed when purchased.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance 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. 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.

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

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These 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.

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. During fiscal year 2011, the District implemented a capitalization policy that changed the capital asset threshold from \$500 to \$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.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

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>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 15 years
Buildings and improvements	40 years
Furniture and equipment	5 - 15 years
Vehicles	10 years

**J. Interfund Balances**

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

**K. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability 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, 2011, 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 sick leave 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.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011, 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.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

**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 fund 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. Notes and leases are recognized as a liability on the fund financial statements when due.

**M. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

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

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

**N. Parochial School**

New Hope Christian School operates within the District's boundaries. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. These activities are reported as a governmental activity of the District.

**O. Restricted Assets**

Restricted assets in the general fund represent \$22,253 in cash and cash equivalents that are restricted for school bus purchased by the State of Ohio.

**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. Unamortized Bond and Note Issuance Costs/Bond and Note Premium**

On government-wide financial statements, bond and note issuance costs are deferred and amortized over the term of the bonds or notes using the straight-line method. Unamortized bond or note issuance costs are recorded as a separate line item on the statement of net assets.

Bond and note premiums are deferred and amortized over the term of the bonds or notes using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Note premiums are presented as an addition to the face amount of the notes.

On the governmental fund financial statements, bond and note issuance costs and bond and note premiums are recognized in the current period.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

**R. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist of school bus purchases, special school support, special trust and the DECA scholarship fund (a nonmajor governmental fund).

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

**S. Interfund Activity**

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

**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. Neither type of transaction occurred during fiscal year 2011.

**U. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2011, the balance in the budget stabilization reserve was \$150,000. This amount is included in unassigned fund balance of the general fund and in unrestricted net assets on the statement of net assets.



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 12,863,322	\$ 266,844	\$ 13,130,166
Fund reclassifications:			
Public school support fund	38,031	(38,031)	-
Special trust fund	5,014	(5,014)	-
Total fund reclassifications	43,045	(43,045)	-
Restated fund balance at July 1, 2010	\$ 12,906,367	\$ 223,799	\$ 13,130,166

The fund reclassifications did not have an effect on net assets as previously reported.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

<b>Budgetary Basis</b>	<u>General Fund</u>
Balance at June 30, 2010	\$ 13,391,301
Funds budgeted elsewhere	<u>(1,035,696)</u>
Restated balance at July 1, 2010	<u><u>\$ 12,355,605</u></u>

**D. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Auxiliary services	\$ 1,447
Management information systems	114
Public school preschool	14,789
Ohio reads	359
Poverty based assistance	4,907
Education jobs	337,911
Race to the top	5
Title VI-B	145,261
Stimulus Title II-D	34
School improvement stimulus A	52,188
Title I	181,769
Title VI-B	13
Improving teacher quality	3,093
Miscellaneous federal grants	134,238

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 resulted from adjustments for accrued liabilities.

**E. Noncompliance**

The District had expenditures over appropriations at June 30, 2011 in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**NOTE 4 - EQUITY IN POOLED CASH 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;
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 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 Treasury Asset Reserve of Ohio (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,

**CIRCLEVILLE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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 five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash with Fiscal Agent**

At fiscal year end, \$2,994 was on deposit with Huntington National Bank in relation to the District's Series 2010 bonds. These funds are not included in the "carrying amount of deposits".

**B. Cash on Hand**

At year end, the District had \$7,350 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**C. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was \$1,529,403. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,950,324 of the District's bank balance of \$2,200,324 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 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.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

**D. Investments**

As of June 30, 2011, 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>	<u>Greater than 24 months</u>
FHLB	\$ 26,820,006	\$ 2,700,378	\$ 5,803,884	\$ 10,992,523	\$ 5,965,813	\$ 1,357,408
FHLB discount notes	3,539,133	-	3,539,133	-	-	-
FHLMC	17,686,442	-	-	8,483,824	1,826,301	7,376,317
FNMA	3,511,064	-	-	3,511,064	-	-
U.S. Government money market	236,196	236,196	-	-	-	-
U.S. Government discount notes	2,432,388	-	2,432,388	-	-	-
U.S. Treasury bills	1,868,255	-	1,868,255	-	-	-
STAR Ohio	5,860,662	5,860,662	-	-	-	-
<b>Total</b>	<b>\$ 61,954,146</b>	<b>\$ 8,797,236</b>	<b>\$ 13,643,660</b>	<b>\$ 22,987,411</b>	<b>\$ 7,792,114</b>	<b>\$ 8,733,725</b>

The weighted average maturity of investments is 1.30 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments in federal agency securities, U/S. Government discount notes, and U.S. Treasury bills were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in STAR Ohio and U.S. government money market mutual funds obtained an AAAM money market rating by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statue.

*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, U.S. Government discount notes and U.S. Treasury bills are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 26,820,006	43.18
FHLB discount notes	3,539,133	5.71
FHLMC	17,686,442	28.55
FNMA	3,511,064	5.67
U.S. Government money market	236,196	0.38
U.S. Government discount notes	2,432,388	3.93
U.S. Treasury bills	1,868,255	3.02
STAR Ohio	<u>5,860,662</u>	<u>9.56</u>
Total	<u>\$ 61,954,146</u>	<u>100.00</u>

**E. 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, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,529,403
Investments	61,954,146
Cash with fiscal agent	2,994
Cash on hand	<u>7,350</u>
Total	<u>\$ 63,493,893</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 63,374,888
Private-purpose trust fund	32,763
Agency fund	<u>86,242</u>
Total	<u>\$ 63,493,893</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2011 consisted of the following interfund loans receivable and payable, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 1,237,506</u>

The primary purpose of these 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.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported in the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 115,000
 <u>Transfers to the classroom facilities fund from:</u>	
Debt service fund	<u>26,850,151</u>
 Total	 <u>\$26,965,151</u>

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. The transfers from the debt service fund to the classroom facilities fund was to move principal and interest to the fund where the debt was issued (See Note 11 for details). All transfers made in fiscal year 2011 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

**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 certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Pickaway County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$2,618,322 in the general fund, \$583,544 in the debt service fund (a nonmajor governmental fund) and \$181,583 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$920,106 in the general fund and \$66,129 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 delinquent tangible personal property taxes which are measurable as of June 30, 2011 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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 247,326,000	96.04	\$ 247,026,420	95.43
Public utility personal	9,584,830	3.72	11,518,990	4.45
Tangible personal property	<u>625,630</u>	<u>0.24</u>	<u>307,710</u>	<u>0.12</u>
Total	<u>\$ 257,536,460</u>	<u>100.00</u>	<u>\$ 258,853,120</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$52.14		\$59.73



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

In November 2005, the District passed a .75% continuing earned income only tax for general operations of the District. Employers and 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. Income tax is credited to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and interest. 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	\$ 12,260,297
Income taxes	456,050
Accounts	1,639
Intergovernmental	25,150,836
Accrued interest	<u>31,329</u>
Total	<u>\$ 37,900,151</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within the subsequent year, with the exception of the Ohio Schools Facilities Commission intergovernmental receivable of \$23,945,523, which will be collected over the duration of the construction project.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**NOTE 9 - CAPITAL ASSETS**

During fiscal year 2011, the District increased their capitalization threshold from \$500 to \$5,000. Capital assets, and related accumulated depreciation, not meeting the new threshold have been recorded as “deductions” in the schedule below. Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance			Balance
	<u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,378,392	\$ 351,122	\$ -	\$ 1,729,514
Construction in progress	<u>-</u>	<u>1,641,390</u>	<u>-</u>	<u>1,641,390</u>
Total capital assets, not being depreciated	<u>1,378,392</u>	<u>1,992,512</u>	<u>-</u>	<u>3,370,904</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,252,018	-	(37,779)	1,214,239
Building and improvements	9,412,847	-	(12,076)	9,400,771
Furniture and equipment	2,679,469	18,663	(1,996,294)	701,838
Vehicles	<u>1,260,514</u>	<u>-</u>	<u>(236,151)</u>	<u>1,024,363</u>
Total capital assets, being depreciated	<u>14,604,848</u>	<u>18,663</u>	<u>(2,282,300)</u>	<u>12,341,211</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,218,999)	(15,863)	37,515	(1,197,347)
Building and improvements	(6,359,672)	(160,489)	5,057	(6,515,104)
Furniture and equipment	(1,660,931)	(37,978)	1,197,213	(501,696)
Vehicles	<u>(833,575)</u>	<u>(33,652)</u>	<u>21,974</u>	<u>(845,253)</u>
Total accumulated depreciation	<u>(10,073,177)</u>	<u>(247,982)</u>	<u>1,261,759</u>	<u>(9,059,400)</u>
Governmental activities capital assets, net	<u>\$ 5,910,063</u>	<u>\$ 1,763,193</u>	<u>\$(1,020,541)</u>	<u>\$ 6,652,715</u>

**CIRCLEVILLE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 166,670
Special	4,471
Vocational	9,194
<u>Support services:</u>	
Pupil	1,267
Instructional staff	7,301
Administration	3,593
Fiscal	1,472
Operations and maintenance	6,212
Pupil transportation	33,652
<u>Operation of non-instructional services:</u>	
Food service operations	3,920
Other non-instructional services	7,326
Extracurricular	<u>2,904</u>
Total depreciation expense	<u><u>\$ 247,982</u></u>

**CIRCLEVILLE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/11</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds:					
Series 2010 A Bonds					
Current interest bonds	\$ -	\$ 11,260,000	\$ -	\$ 11,260,000	\$ 350,000
Series 2010 B Bonds					
Current interest bonds	-	1,750,000	-	1,750,000	200,000
Capital appreciation bonds	-	307,618	-	307,618	-
Accreted interest	-	62,536	-	62,536	-
Series 2010 C Bonds					
Current interest bonds	-	24,600,000	-	24,600,000	-
Total general obligation bonds	<u>-</u>	<u>37,980,154</u>	<u>-</u>	<u>37,980,154</u>	<u>550,000</u>
Certificates of participation	-	7,000,000	-	7,000,000	135,618
Energy conservation note	318,000	-	(19,000)	299,000	20,000
Lease purchase agreement	484,805	-	(153,747)	331,058	161,472
Compensated absences	<u>1,529,856</u>	<u>381,314</u>	<u>(307,982)</u>	<u>1,603,188</u>	<u>146,986</u>
Total governmental activities long-term liabilities	<u>\$ 2,332,661</u>	<u>\$ 45,361,468</u>	<u>\$ (480,729)</u>	47,213,400	<u>\$ 1,014,076</u>
Add: unamortized premiums				<u>1,028,305</u>	
Total on statement of net assets				<u>\$ 48,241,705</u>	

Compensated absences: Compensated absences will be paid from the fund which the employee's salaries are paid which, for the District, is primarily the general fund and the food service fund.

B. Series 2010A Qualified School Construction Bonds – On August 11, 2010, the District issued \$11,260,000 in general obligation Qualified School Construction Bonds (QSCBs) for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

The issue is comprised of current interest term bonds, par value \$11,260,000. The interest rate on the current interest bonds is 5.650%.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The QSCBs mature on November 1, 2025 in the amount of \$11,260,000. Interest payments on the current interest bonds are due on May 1 and November 1 of each year. The District receives a direct payment subsidy from the United States Treasury equal to 100% of the lesser of the interest payments on the bonds or the federal tax credits that would otherwise have been available to the holders of the bonds. The District records this subsidy from the federal government in the debt service fund (a nonmajor governmental fund) to offset interest expenditures on the bonds. The QSCBs are subject to optional redemption and extraordinary optional redemption, at the sole discretion of the District, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date. On November 1 in each year 2011 through 2025, the District is required to make a mandatory deposit into a sinking fund that will provide for payment of the QSCBs upon maturity. The QSCBs are subject to mandatory sinking fund requirements in the following fiscal years and in the following amounts:

Fiscal Year	Amounts Due
2012	\$ 350,000
2013	350,000
2014	350,000
2015	350,000
2016	360,000
2017-2021	3,950,000
2022-2026	<u>5,550,000</u>
	<u>\$ 11,260,000</u>

The following is a summary of the District's future annual debt service requirements, including mandatory sinking fund deposits, to maturity for the Series 2010A QSCBs:

Fiscal Year	Current Interest - Series 2010A		
	Principal	Interest	Total
2012	\$ 350,000	\$ 636,190	\$ 986,190
2013	350,000	636,190	986,190
2014	350,000	636,190	986,190
2015	350,000	636,190	986,190
2016	360,000	636,190	996,190
2017 - 2021	3,950,000	3,180,950	7,130,950
2022 - 2026	<u>5,550,000</u>	<u>2,862,855</u>	<u>8,412,855</u>
Total	<u>\$ 11,260,000</u>	<u>\$ 9,224,755</u>	<u>\$ 20,484,755</u>

- C. Series 2010B School Facilities Construction and Improvement Bonds – On August 26, 2010, the District issued \$2,057,618 in general obligation serial bonds, for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The issue is comprised of both current interest serial bonds, par value \$1,750,000, and capital appreciation bonds par value \$307,618. The interest rates on the current interest bonds range from 1.75%-3.14%. The capital appreciation bonds mature on November 1, 2015 (stated interest rate 28.695%), November 1, 2016 (stated interest rate 28.695%) and November 1, 2017 (stated interest rate 28.695%) 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 \$1,565,000. Total accreted interest of \$62,536 for Series 2010B capital appreciation bonds has been included on the statement of net assets at June 30, 2011.

Interest payments on the current interest serial bonds are due on May 1 and November 1 of each year. The final maturity stated in the issue is November 1, 2017.

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2010B Bonds:

Fiscal Year	Current Interest - Series 2010 B			Capital Appreciation - Series 2010 B		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 200,000	\$ 36,688	\$ 236,688	\$ -	\$ -	\$ -
2013	500,000	27,188	527,188	-	-	-
2014	525,000	14,437	539,437	-	-	-
2015	525,000	4,593	529,593	-	-	-
2016	-	-	-	134,616	405,384	540,000
2017 - 2018	-	-	-	173,002	851,998	1,025,000
Total	<u>\$ 1,750,000</u>	<u>\$ 82,906</u>	<u>\$ 1,832,906</u>	<u>\$ 307,618</u>	<u>\$ 1,257,382</u>	<u>\$ 1,565,000</u>

- D. Series 2010C Build America Bonds** – On August 26, 2010, the District issued \$24,600,000 in general obligation Build America Bonds (BABs), for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

The issue is comprised of current interest bonds, par value \$24,600,000. The interest rates on the current interest bonds range from 5.30-6.30%. The District receives a direct payment subsidy from the United States Treasury equal to thirty-five percent of the corresponding interest payments due on the BABs. The District records this subsidy from the federal government in the debt service fund (a nonmajor governmental fund) to offset interest expenditures on the bonds.

Interest payments on the current interest bonds are due on May 1 and November 1 of each year. The final maturity stated in the issue is November 1, 2040.

At June 30, 2011, the District had \$38,942,598 of unspent bond proceeds remaining on the Series 2010 A-C bond issue.

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PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2010C BABs:

Fiscal Year	Current Interest - Series 2010 C		
	Principal	Interest	Total
2012	\$ -	\$ 1,493,422	\$ 1,493,422
2013	-	1,493,422	1,493,422
2014	-	1,493,422	1,493,422
2015	-	1,493,422	1,493,422
2016	-	1,492,422	1,492,422
2017 - 2021	-	7,467,110	7,467,110
2022 - 2026	-	7,467,110	7,467,110
2027 - 2031	6,225,000	6,619,451	12,844,451
2032 - 2036	8,020,000	4,494,421	12,514,421
2037 - 2041	10,355,000	1,687,449	12,042,449
Total	<u>\$ 24,600,000</u>	<u>\$ 35,201,651</u>	<u>\$ 59,801,651</u>

- E. Series 2010 Certificates of Participation ("COPs")** – On February 15, 2011, the District issued \$7,000,000 in Certificates of Participation ("COPs") for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund. The interest rate on the COPs is 7.00%.

The COPs require the District to make mandatory sinking fund deposits beginning December 1, 2011. The sinking fund deposits will result in a balloon principal payment of \$7,000,000 made on December 1, 2026. Sinking fund deposits will be made on December 1, in the following fiscal years and in the following amounts.

Fiscal Year	Amounts Due
2012	\$ 135,618
2013	298,390
2014	305,850
2015	313,497
2016	321,334
2017-2021	2,368,611
2022-2026	2,679,867
2027	576,833
Total	<u>\$ 7,000,000</u>

Interest payments on the COPs are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2026. At June 30, 2011, the District had \$6,739,651 of unspent proceeds remaining on the COPs issue.

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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the District's future annual debt service requirements, including mandatory sinking fund deposits, to maturity for the Series 2010 COPs:

Fiscal Year	Series 2010 COPs		
	Principal	Interest	Total
2012	\$ 135,618	\$ 490,000	\$ 625,618
2013	298,390	490,000	788,390
2014	305,850	490,000	795,850
2015	313,497	490,000	803,497
2016	321,334	490,000	811,334
2017 - 2021	2,368,611	2,450,000	4,818,611
2022 - 2026	2,679,867	2,450,000	5,129,867
2027	576,833	245,000	821,833
Total	\$ 7,000,000	\$ 7,595,000	\$ 14,595,000

- F. During fiscal year 2008, the District issued energy conservation notes to provide for energy improvements to various District buildings. The notes bear an interest rate of 4.117% and will mature on December 1, 2022. The primary source of repayment of these notes is through energy savings as a result of the improvements. Energy improvements made to the District's buildings from the note issue were for maintenance and repairs and therefore were not capitalized.

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the general fund. The unmatured obligations at year end are accounted for in the statement of net assets.

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

Fiscal Year Ending June 30,	Energy Conservation Notes		
	Principal	Interest	Total
2012	\$ 20,000	\$ 11,898	\$ 31,898
2013	21,000	11,054	32,054
2014	21,000	10,190	31,190
2015	22,000	9,304	31,304
2016	23,000	8,378	31,378
2017 - 2021	131,000	26,534	157,534
2022 - 2023	61,000	2,532	63,532
Total	\$ 299,000	\$ 79,890	\$ 378,890



**CIRCLEVILLE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**G. Lease-purchase agreement** - During fiscal year 2009, the District entered into a lease-purchase agreement with Key Government Finance, Inc. for the purpose of acquiring computers and server equipment. The \$770,583 in proceeds bear an interest rate of 4.91%, are to be repaid over 5 years and have a final maturity of June 30, 2013. Payments of principal and interest relating to the lease purchase agreement are recorded as expenditures in the permanent improvement fund (a nonmajor governmental fund).

Principal and interest requirements to retire the lease-purchase obligation at June 30, 2011 follows:

Fiscal Year Ending June 30,	Lease-Purchase Agreement		
	Principal	Interest	Total
2012	\$ 161,472	\$ 12,661	\$ 174,133
2013	169,586	4,547	174,133
Total	<u>\$ 331,058</u>	<u>\$ 17,208</u>	<u>\$ 348,266</u>

**H. 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.

Revised Code Section 133.06(I) permits school districts to incur net indebtedness in excess of the 9% limitation, without obtaining the consent of the State Superintendent and the Tax Commissioner, when bond proceeds will be used exclusively to fund a school district's Commission-required local effort. Accordingly, the proceeds of the bonds will be used exclusively to fund the District's Commission-required local effort, and, as a result, are not subject to State consents/special needs approval.

**NOTE 11 - SHORT-TERM NOTES PAYABLE**

A summary of the governmental activities short-term notes payable transactions for fiscal year 2011 follows:

	Issue Date	Maturity Date	Interest Rate (%)	Balance June 30, 2010	Increase	Decrease	Balance June 30, 2011
<b>Bond Anticipation Notes:</b>							
Notes Series 2010	7/13/10	11/13/10	2.00%	\$ -	\$26,657,624	\$ (26,657,624)	\$ -

**CIRCLEVILLE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 11 - SHORT-TERM NOTES PAYABLE - (Continued)**

On July 13, 2010, the District issued Series 2010 School Facilities Construction and Improvement Notes in the amount of \$26,657,624 for various improvements to schools and as part of the local share of the District's Ohio School Facilities Commission project. The notes were issued at a premium of \$115,161. The notes matured November 23, 2010 and bore an interest rate of 2.00%. The notes were retired with proceeds of the Series 2010 B and Series 2010 C general obligation bonds.

**NOTE 12 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The administrators are generally granted 20 days of vacation per year.

Classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Vacation time, which is unused as of the employee's anniversary date, can be carried over to a subsequent year, with a maximum of 3 years accrual (60 days). Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1 - 6	10
7 - 10	15
11 - 15	18
16 - beyond	20

Each employee earns sick leave at the rate of one and quarter days per month. Sick leave shall accumulate during active employment on a continuous year-to-date basis. Maximum sick leave accumulation for all employees is 252 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement, if the employee has been employed by the District for a minimum of 10 consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of 140 days of all accumulated sick leave credited to that employee, or 35 days pay, plus 1 day's pay for each 6 accrued sick leave days exceeding 140 days, not to exceed a total of 54 days of severance pay.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. In addition, the District maintains a \$3,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss and \$3,000,000 for excess auto liability.

The District maintains replacement cost insurance on buildings and contents in the amount of \$56,719,071.

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

**B. Health Care Benefits**

Effective July 1, 2009, the District began offering health care benefits to employees through the PCPEBP, a public entity shared risk pool, currently operating as a common risk management and insurance program for 4 member school districts. The PCPEBP was organized to provide health care benefits to its members.

The District pays 92% of the health care premiums for all full-time employees on a single plan and 80% of the health care premiums for all full-time employees on a family plan. This percentage is prorated for part-time employees. The health care coverage is administered by United Healthcare, a third party administrator. The stop-loss coverage is \$150,000 per covered person and an aggregate of \$2,000,000.

**C. Workers' Compensation Rating Program**

For fiscal year 2011, the District participated in the OASBO/Sheakley UniServe Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. 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 their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniServe provides administrative, cost control and actuarial services to the GRP.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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, disability, survivor 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](http://www.ohsers.org), under "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$437,304, \$468,933 and \$294,261, respectively; 52.08 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

Plan Description - The 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](http://www.strsoh.org), under "*Publications*".

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 2011, 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, 2011, 2010 and 2009 were \$1,427,485, \$1,418,677 and \$1,350,939, respectively; 84.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$28,568 made by the District and \$20,406 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, 2011, 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

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**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$106,914, \$80,860 and \$178,066, respectively; 52.08 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$28,141, \$27,886 and \$24,279, respectively; 52.08 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

Plan Description - The 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](http://www.strsoh.org), under "Publications" 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 2011, 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, 2011, 2010 and 2009 were \$109,807, \$109,129 and \$103,918, respectively; 84.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

The 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (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 assigned or committed 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) as opposed to balance sheet transactions (GAAP basis);
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (f) Investments are reported at fair value (GAAP basis) rather than at 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	\$ (448,926)
Net adjustment for revenue accruals	1,646,434
Net adjustment for expenditure accruals	397,539
Net adjustment for other sources/uses	762,653
Funds budgeted elsewhere	(535,778)
Adjustment for encumbrances	786,530
GAAP basis	<u>\$ 2,608,452</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the public school support fund and the self-insurance fund.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 are 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, 2011.

**B. Litigation**

The District is not involved in pending litigation that would have a material effect on the financial condition of the District.

**NOTE 18 - SET-ASIDES**

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	318,693	318,693
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(227,095)	(351,120)
Excess qualified expenditures from prior years	(885,279)	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (793,681)</u>	<u>\$ (32,427)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>



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

**NOTE 18 - SET-ASIDES - (Continued)**

The District had current year qualifying disbursements and excess qualified disbursements from prior years that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

During fiscal year 2011, the District issued \$44,917,618 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$44,917,618 at June 30, 2011.

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 775,048
Classroom facilities	3,788
Other governmental	<u>78,677</u>
 Total	 <u>\$ 857,513</u>

**NOTE 20 - CONTRACTUAL COMMITMENTS**

As of June 30, 2011, the District was obligated for the following contracts:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Payments as of 06/30/11</u>	<u>Contract Balance 06/30/11</u>
SHP	\$ 3,965,183	\$ 1,095,400	\$ 2,869,783
Stan & Associates	159,854	12,884	146,970
Michael Clark and Associates	<u>32,775</u>	<u>15,500</u>	<u>17,275</u>
Total	<u>\$ 4,157,812</u>	<u>\$ 1,123,784</u>	<u>\$ 3,034,028</u>

## **SUPPLEMENTARY DATA**

**CIRCLEVILLE CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Child Nutrition Cluster:</i>				
(D) (E) School Breakfast Program	10.553	2011	\$ 163,993	\$ 163,993
(C) (E) National School Lunch Program - Donations	10.555	2011	47,477	47,477
(D) (E) National School Lunch Program	10.555	2011	399,252	399,252
<b>Total National School Lunch Program</b>			<u>446,729</u>	<u>446,729</u>
(D) (E) Summer Food Program	10.559	2011	9,318	9,318
<i>Total Child Nutrition Cluster</i>			<u>620,040</u>	<u>620,040</u>
Team Nutrition Grants	10.574	2010	(169)	3,831
<b>Total U.S. Department of Agriculture</b>			<u>619,871</u>	<u>623,871</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Title I Grant Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2010	212,528	105,754
(F) Title I Grants to Local Educational Agencies	84.010	2011	489,868	590,937
<b>Total Title I Grants to Local Educational Agencies</b>			<u>702,396</u>	<u>696,691</u>
(F) ARRA - Title I School Improvement, Recovery Act	84.389	2011	-	52,188
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	49,958	24,299
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	229,812	241,537
<b>Total ARRA Title I Grants to Local Educational Agencies Recovery Act</b>			<u>279,770</u>	<u>318,024</u>
<i>Total Title I Grant Cluster</i>			<u>982,166</u>	<u>1,014,715</u>
<i>Special Education Grant Cluster:</i>				
(G) Special Education Grants to States	84.027	2010	161,534	83,994
(G) Special Education Grants to States	84.027	2011	369,400	409,036
<b>Total Special Education Grants to States</b>			<u>530,934</u>	<u>493,030</u>
(G)(I) Special Education Preschool Grants	84.173	2010	196	460
(G)(I) Special Education Preschool Grants	84.173	2011	9,790	9,790
<b>Total Special Education Preschool Grants</b>			<u>9,986</u>	<u>10,250</u>
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	57,234	21,244
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	230,577	307,965
<b>Total ARRA - Special Education Grants to States, Recovery Act</b>			<u>287,811</u>	<u>329,209</u>
(G) ARRA - Special Education Preschool Grants, Recovery Act	84.392	2010	4,041	3,079
<i>Total Special Education Grant Cluster</i>			<u>832,772</u>	<u>835,568</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	2010	4,673	1,647
Safe and Drug-Free Schools and Communities State Grants	84.186	2011	44	44
<b>Total Safe and Drug-Free Schools and Communities State Grants</b>			<u>4,717</u>	<u>1,691</u>
Twenty-First Century Community Learning Centers	84.287	2010	143,698	33,723
Twenty-First Century Community Learning Centers	84.287	2011	237,356	283,539
<b>Total Twenty-First Century Community Learning Centers</b>			<u>381,054</u>	<u>317,262</u>

-continued

**CIRCLEVILLE CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Educational Technology State Grants Cluster:</i>				
(H) Educational Technology State Grants	84.318	2010	3,111	-
(H) Educational Technology State Grants	84.318	2011	3,803	3,803
<b>Total Educational Technology State Grants</b>			<u>6,914</u>	<u>3,803</u>
(H) ARRA - Educational Technology State Grants, Recovery Act	84.386	2011	195,249	225,504
<i>Total Educational Technology State Grants Cluster</i>			<u>202,163</u>	<u>229,307</u>
Improving Teacher Quality State Grants	84.367	2010	24,469	5,425
Improving Teacher Quality State Grants	84.367	2011	129,353	139,407
<b>Total Improving Teacher Quality State Grants</b>			<u>153,822</u>	<u>144,832</u>
ARRA - Teacher Incentive Fund, Recovery Act	84.385	2011	8,563	85,631
ARRA - State Fiscal Stabilization Fund_Education State Grants, Recovery Act	84.394	2010	-	119,954
ARRA - State Fiscal Stabilization Fund_Education State Grants, Recovery Act	84.394	2011	749,256	749,256
<b>Total ARRA - State Fiscal Stabilization Fund_Education State Grants_Recovery Act</b>			<u>749,256</u>	<u>869,210</u>
ARRA - Race to the Top Stimulus, Recovery Act	84.395	2011	15,300	18,178
Education Jobs Grant	84.410	2011	160,298	434,522
<b>Total U.S. Department of Education</b>			<u>3,490,111</u>	<u>3,950,916</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 4,109,982</u>	<u>\$ 4,574,787</u>

**Notes to the Schedule of Receipts and Expenditures of Federal Awards:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2011
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (E) Included as part of "Child Nutrition Cluster" in determining major programs
- (F) Included as part of "Title I Grant Cluster" in determining major programs
- (G) Included as part of "Special Education Grant Cluster" in determining major programs
- (H) Included as part of "Educational Technology State Grants Cluster" in determining major programs
- (I) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers

Program Title	CFDA Grant	Year	Transfers Out	Transfers In
Special Education_Preschool Grants	84.173	2010	460	
Special Education_Preschool Grants	84.173	2011		460
<b>Totals</b>			<u>\$ 460</u>	<u>\$ 460</u>



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Circleville City School District  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

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

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-CCSD-001 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Education  
Circleville City School District

Compliance and Other Matters

As part of reasonably assuring whether the Circleville City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as items 2011-CCSD-002 and 2011-CCSD-003.

The Circleville City School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Circleville City School District's responses and accordingly, we express no opinion on them.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 20, 2011



## **Julian & Grube, Inc.** *Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

Circleville City School District  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

#### Compliance

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

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

In our opinion, the Circleville City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and responses lists this instance as finding 2011-CCSD-004.

#### Internal Control Over Compliance

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

Board of Education  
Circleville City School District

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

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

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

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



Julian & Grube, Inc.  
December 20, 2011



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies - CFDA #84.010 and ARRA - Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389; Special Education Grant Cluster: Special Education_Grants to States - CFDA #84.027, Special Education_Preschool Grants - CFDA #84.173, ARRA - Special Education_Grants to States Recovery Act - CFDA # 84.391, and ARRA - Special Education_Preschool Grants, Recovery Act - CFDA #84.392; ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Act - CFDA #84.394; Education Jobs Grant - CFDA #84.410
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
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Finding Number	2011-CCSD-001
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**Significant Deficiency - Financial Statement Presentation**

Accurate financial reporting is an important part of the District's overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

We identified misstatements in the financial statements for the fiscal year under audit that were not initially identified by the District's internal controls. The audit adjustments were made to the District's financial statements. A description of the adjustments follows:

Intergovernmental Revenue

An adjustment was necessary to decrease the Permanent Improvement fund intergovernmental revenues and cash and increase the General fund cash and intergovernmental revenue in the amount of \$515,528 to properly state the tangible personal property tax loss reimbursement revenue.

Accrued Wages

An increase in accrued wages and benefits due to other governments and pension obligation payable in the General fund in the amount of \$1,287,568, in the Other Governmental funds in the amount of \$303,120 and an increase in those funds related expenditures.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. Lack of a properly presented financial statement review process could inhibit its financial accountability to both the citizens and the Board, which they may use to facilitate District decisions.

We recommend that the District implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Client Response: The District will adopt additional controls to promote the presentation of materially correct financial statements in the future

Finding Number	2011-CCSD-002
----------------	---------------

**Non-Compliance**

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceeded appropriations throughout the fiscal year and at fiscal year end.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring its appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which could result in negative fund balances.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2011-CCSD-002 - (Continued)

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations records and amending the appropriations prior to fiscal year end. In addition, the District should monitor its budgetary process on a regular basis and make amendments as necessary.

*Client Response:* The District will incorporate procedures into the appropriations and budgeting processes that will provide more thorough and accurate amendments.

Finding Number	2011-CCSD-003
----------------	---------------

**Non-Compliance**

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The District had expenditures exceeding appropriations in the following funds at June 30, 2011:

<u>June 30, 2011</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Nonmajor Funds</u>			
Bond Retirement	\$ 26,850,151	\$ 28,519,232	\$ 1,669,081

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated. This could result in unnecessary purchases and/or fund deficits.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the year.

*Client Response:* The District will strive to comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 to the best of its ability.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

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

<b>Finding Number</b>	2011-CCSD-004
<b>CFDA Title and Number</b>	ARRA - State Fiscal Stabilization Fund (SFSF) - Educational States Grants, Recovery Act (CFDA #84.394)
<b>Federal Award Number/Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

Noncompliance Finding

1512(c)(4) requires the prime recipient must report three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000. Specifically, the prime recipient must report the identity of the vendor by reporting the D-U-N-S number, the amount of the payment, and a description of what was obtained in exchange for the payment.

The District was required to report four vendors. We examined four of the four vendors. None of those four were reported for the fourth quarter.

The District is not complying with the ARRA rules and regulations to ensure proper data is reported.

We recommend the District review its compliance reporting requirements as set by each grantor and ensure those requirements are met.

*Client Response:* Compliance with all regulations and grant agreements is highly important to the District. The reporting for the final quarter was due by September 16, 2011 and was filed on time. The District realized there was an error on the final quarterly report for one of the eight grants. The District notified the reporting agency in an attempt to correct the final quarterly report for that grant. The District was told that a correction was not able to be made at this time. The District was further advised to keep on file the correspondence with the reporting agency indicating the attempt to correct the error.



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

Circleville City School District  
Pickaway County  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 14, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
December 20, 2011

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# Dave Yost • Auditor of State

**CIRCLEVILLE CITY SCHOOL DISTRICT**

**PICKAWAY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 15, 2012**