



Dave Yost • Auditor of State



**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	15
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities .....	16
Statement of Fiduciary Net Assets.....	17
Notes to the Basic Financial Statements .....	19
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	43
Notes to the Required Supplementary Information.....	44
Schedule of Federal Awards Receipts and Expenditures.....	47
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	49
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	51
Schedule of Findings.....	53
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	55

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Finneytown Local School District  
Hamilton County  
8916 Fontainbleau Terrace  
Cincinnati, Ohio 45231

To the Board of Education:

We have audited the accompanying basic financial statements of the Finneytown Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Finneytown Local School District, as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, during 2011, the 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 January 31, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

January 31, 2012

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets increased \$0.99 million or 23.0 percent.
- General revenues accounted for \$19.20 million in revenue or 83.9 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.69 million or 16.1 percent of total revenues of \$22.89 million.
- Total assets of governmental activities increased by \$0.57 million as taxes receivable increased by \$0.63 million and cash and other receivables decreased by \$0.11 million.
- The District had \$21.89 million in expenses related to governmental activities; only \$3.69 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$19.20 million were adequate to provide for these programs.
- As a major fund, the General Fund had \$18.34 million in revenues and \$17.90 million in expenditures. The General Fund's balance increased from \$2.75 to \$3.24 million.

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private-sector corporations. This basis of accounting takes 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 provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, current property tax laws, student enrollment trends, facility conditions, required educational programs and other factors in arriving at their conclusion regarding the overall health of the District.

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

*Fund Financial Statements*

Analysis of the District's major fund is presented in the fund financial statements. Fund financial reports provide detailed information about the District's major fund – not the District as a whole. The General Fund is the only major fund of the District. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus only on the District's major fund.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

**Fiduciary Funds** The District maintains two agency funds. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The Fiduciary funds are used to account for the financial resources that the District has agreed to hold or manage in an agent or fiduciary capacity.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2010 compared to 2011:

(Table 1)  
Net Assets

	Governmental Activities		
	2010	2011	% Change
<b>Assets</b>			
Current and Other Assets	\$14,852,503	\$15,423,491	3.84%
Capital Assets	<u>7,469,452</u>	<u>7,466,931</u>	<u>-0.03%</u>
Total Assets	<u>\$22,321,955</u>	<u>\$22,890,422</u>	<u>2.55%</u>
<b>Liabilities</b>			
Long-Term Liabilities	\$8,253,866	\$7,963,554	-3.52%
Other Liabilities	<u>9,759,488</u>	<u>9,625,340</u>	<u>-1.37%</u>
Total Liabilities	<u>\$18,013,354</u>	<u>\$17,588,894</u>	<u>-2.36%</u>
<b>Net Assets Invested in</b>			
Capital Assets Net of Debt	\$ 601,452	\$ 814,137	35.36%
Restricted	1,729,244	1,675,223	-3.12%
Unrestricted	<u>1,977,905</u>	<u>2,812,168</u>	<u>42.18%</u>
Total Net Assets	<u>\$4,308,601</u>	<u>\$5,301,528</u>	<u>23.05%</u>

Total assets increased \$0.57 million. Equity in pooled cash and investments increased \$0.11 million. Taxes receivable increased \$0.63 million. Total liabilities decreased \$0.42 million.



**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

Table 2 shows the change in net assets for fiscal year 2011. Notable changes include: gains in property taxes and general grants and entitlements, losses in program operating grants and charges for services, increases in operation of non-instructional, and decreases in interest and fiscal charges.

Table 2  
Changes in Net Assets

	<u>Governmental Activities</u>		<u>% Change</u>
	<u>2010</u>	<u>2011</u>	
Program Revenues:			
Charges for Services	\$937,409	\$875,519	-6.60%
Operating Grants	3,893,044	2,810,701	-27.80%
Capital Grants	0	0	0.00%
General Revenue:			
Property Taxes	9,739,957	11,418,666	17.24%
Grants and Entitlements	6,956,065	7,406,977	6.48%
Other	<u>380,689</u>	<u>373,717</u>	<u>-1.83%</u>
Total Revenues	<u>\$21,907,164</u>	<u>\$22,885,580</u>	<u>4.47%</u>
Program Expenses:			
Instruction	10,867,735	10,682,145	-1.71%
Support Services:			
Pupil and Instructional Staff Administration,	3,160,498	3,005,277	-4.91%
Fiscal and Business	2,263,700	2,093,972	-7.50%
Operations and Maintenance	1,729,703	1,703,710	-1.50%
Pupil Transportation	1,004,878	1,013,890	0.90%
Central	276,643	237,426	-14.18%
Operation of Non-Instructional	1,943,648	2,200,067	13.19%
Extracurricular Activities	674,380	637,835	-5.42%
Interest and Fiscal Charges	<u>403,337</u>	<u>318,331</u>	<u>-21.08%</u>
Total Expenses	<u>22,324,522</u>	<u>21,892,653</u>	<u>-1.93%</u>
Increase in Net Assets	<u>(\$417,358)</u>	<u>\$992,927</u>	

**Governmental Activities**

The District revenues are mainly from two sources. Property taxes levied for general, debt services and capital projects and grants and entitlements comprised eighty-two percent (82%) of the District's revenues for governmental activities.

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

Thus, Ohio districts dependent upon property taxes must periodically return to the voters to maintain a constant level of service in an inflationary environment. Property taxes made up fifty percent (50%) of revenue for governmental activities for the District in fiscal year 2011.

Instruction comprises forty-nine percent (49%) of governmental program expenses. Support services expenses were thirty-seven percent (37%) of governmental program expenses. All other expenses, including interest expense, was fourteen percent (14%) of governmental program expenses. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
Governmental Activities

	Total Cost of Services <u>2010</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2010</u>	Net Cost of Services <u>2011</u>
Instruction	\$10,867,735	\$10,682,145	(\$9,011,333)	(\$9,505,724)
Support Services:				
Pupil and Instructional Staff Administration,	3,160,498	3,005,277	(2,530,595)	(2,612,062)
Fiscal and Business	2,263,700	2,093,972	(2,214,785)	(2,039,965)
Operations and Maintenance	1,729,703	1,703,710	(1,699,016)	(1,667,380)
Pupil Transportation	1,004,878	1,013,890	(842,720)	(914,691)
Central	276,643	237,426	(260,421)	(233,151)
Operation of Non-Instructional	1,943,648	2,200,067	(61,538)	(412,937)
Extracurricular Activities	674,380	637,835	(470,324)	(502,192)
Interest and Fiscal Charges	<u>403,337</u>	<u>318,331</u>	<u>(403,337)</u>	<u>(318,331)</u>
Total Expenses	<u>\$22,324,522</u>	<u>\$21,892,653</u>	<u>(\$17,494,069)</u>	<u>(\$18,206,433)</u>

**The District's Funds**

Information about the District's major fund starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$26,947,277 and expenditures and other financing uses of \$26,406,218. The net change in fund balance for the year was an increase of \$541,059. This decrease was primarily due to the impact of the activities of the General Fund, which are discussed in the next section.

In Ohio, property taxes are not permitted to grow with inflation. New property tax revenues can only be generated through new construction or voted increases. The District is 99% developed; consequently the possibility of new construction is low.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**General Fund Budgeting Highlights**

The General Fund excess of revenues over expenditures amounted to \$436,905. This surplus can be attributed to initial collection of a new 7.95 mill continuing operating levy passed in May 2010. In addition, the district's formal Fiscal Responsibility Plan has been very successful in controlling General Fund expenditure growth and stretching the budget. A major component of the Fiscal Responsibility Plan has been the right sizing of the district's staffing levels in response to declining student enrollment. Since fiscal year 2003, staffing levels totals have been reduced from 247 to 197 full time equivalent staff.

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 2011, the District amended its general fund budget several times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the actual budget basis revenue was \$17,571,885, with an original budget estimate of \$17,566,934. The difference of \$4,951 represents a variance of 0.03%. The District's ending General Fund unobligated cash balance at \$1,906,775 was \$427,365 higher than the original budgeted amount and can be attributed to budget reduction initiatives.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2011, the District had \$7.65 million invested in land, buildings and improvements, furniture and equipment and construction in progress. Table 4 shows fiscal 2010 balances compared to fiscal 2011:

Table 4  
Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities <u>2010</u>	Governmental Activities <u>2011</u>
Land	\$1,154,812	\$1,154,812
Buildings and Improvements	5,488,963	5,769,115
Furniture and Equipment	752,470	723,004
Construction in Progress	<u>73,207</u>	<u>0</u>
Total Net Capital Assets	<u>\$7,469,452</u>	<u>\$7,646,931</u>

District net capital assets increased by \$0.18 million in fiscal year 2011. The District reported \$0.75 million in acquisitions, retired \$0.21 million in capital assets, and recognized \$.56 million in depreciation expense during the year. This District is committed to maintaining and improving its capital assets.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**Debt**

At June 30, 2011, the District had \$6,197,714 in general obligation bonds and \$471,000 in capital lease obligations outstanding. The amount due within one year on these obligations totals \$374,000. Table 5 summarizes total outstanding debt.

Table 5  
Outstanding Debt, at Year End

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2011</u>
General Obligation Bonds: 1997 School Improvement	\$6,355,000	\$6,197,714
Capital Lease Obligations	<u>513,000</u>	<u>471,000</u>
Total Debt Outstanding	<u>\$6,868,000</u>	<u>\$6,668,714</u>

At June 30, 2011, the District's overall legal debt margin was \$20,693,219 with an unvoted debt margin of \$229,925. In 1997 the District passed a 3.96 mill bond issue, providing \$8.7 million for renovation of all buildings through out the district. In September 2010, the District simultaneously paid off and reissued \$3.96 million in outstanding general obligation bonds, saving taxpayers \$1.11 million over the remaining 14-year life of the issue. The refunding lowers the interest cost from 5.80% to 3.48%. In July 2010, Standard & Poor's increased the district's bond rating from "A" to "AA".

**Economic Conditions and Outlook**

The District faces many opportunities and challenges. Among these include: the condition of the local, state and national economies, reductions in State funding for schools, the legislated phase out of business and utility taxes, a declining tax base, and declining student enrollment.

After three consecutive years of posting operating deficits, the district was able to report a \$491,157 operating surplus in fiscal year 2011, following passage of the district's recent operating levy. In May 2010 district voters approved a new 7.95 mill continuing operating levy. Collection began in January 2011. The new levy and continued district Fiscal Responsibility Plan efforts should provide adequate funding for at least the next three years.

Poor economic news on the local, state and national and international level will continue to create fear and impact the financial operations of all organizations. Recession, high unemployment and staggering levels of national and international debt continue to be major concerns. Depreciation of home values in our area is expected to adversely impact local tax collections.

State of Ohio funding of primary and secondary education in the new biennium was reduced in response to an identified multi-billion dollar budget gap. The District saw its state funding cut \$870,000 beginning in fiscal year 2012. Significant cuts include the loss of personal tangible property business and utility company tax loss subsidies and failure to replace expiring America Recovery and Reinvestment Act (ARRA) state fiscal stabilization foundation program funding. These reductions were somewhat offset by \$303,000 in Education Jobs Bill funding that will be divided over the next two years.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

In an effort to compete for business with other states, Ohio has enacted several pieces of business tax friendly legislation in recent years. The reduced business and public utility tax base will negatively impact the District's local tax-generating revenue stream and place a greater burden on local residential taxpayers in the years to come.

The District has experienced a steady and consistent decline in student enrollment for the last ten years. This decline is predicted to modestly continue in future years of the District's five year forecast. The State of Ohio provides significant revenue to the District through its Foundation program. Lower enrollment is expected to significantly limit growth and very possibly trigger reductions in the District's State Foundation program revenues for the next several years.

The District is working very hard to control expenditure growth while maintaining a first-class academic program. With continued careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, 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 David Oliverio, Treasurer at Finneytown Local School District, 8916 Fontainebleau Terrace, Cincinnati, Ohio 45231 or e-mail at [doliverio@finneytown.org](mailto:doliverio@finneytown.org).

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Finneytown Local School District  
Statement of Net Assets  
June 30, 2011

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$3,411,851
Receivables:	
Taxes	11,538,736
Intergovernmental	418,629
Deferred Bond Issuance Costs	54,275
Nondepreciable Capital Assets	1,154,812
Depreciable Capital Assets, Net	<u>6,312,119</u>
Total Assets	<u>22,890,422</u>
Liabilities:	
Accounts Payable	7,472
Accrued Wages and Benefits	2,847,569
Accrued Interest Payable	20,867
Unearned Revenue	6,749,432
Long-Term Liabilities:	
Due Within One Year	649,274
Due In More Than One Year	<u>7,314,280</u>
Total Liabilities	<u>17,588,894</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	814,137
Restricted for:	
Debt Service	885,493
Capital Projects	512,265
Other Grant Funds	19,568
Food Service	27,423
Athletic	95,572
Auxiliary Services	115,036
State Grants	3,496
Other Purposes	16,370
Unrestricted	<u>2,812,168</u>
Total Net Assets	<u><u>\$5,301,528</u></u>

See accompanying notes to the Basic Financial Statements.

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

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$7,178,091	\$386,704	\$62,346	(\$6,729,041)
Special	2,540,696	63,681	351,070	(2,125,945)
Vocational	149,711	0	39,584	(110,127)
Other	813,647	0	273,036	(540,611)
Support Services:				
Pupil	1,606,864	0	319,283	(1,287,581)
Instructional Staff	1,398,413	0	73,932	(1,324,481)
General Administration	24,595	0	0	(24,595)
School Administration	1,201,900	54,007	0	(1,147,893)
Fiscal	443,312	0	0	(443,312)
Business	424,165	0	0	(424,165)
Operations and Maintenance	1,703,710	36,330	0	(1,667,380)
Pupil Transportation	1,013,890	0	99,199	(914,691)
Central	237,426	0	4,275	(233,151)
Operation of Non-Instructional Services	2,200,067	199,154	1,587,976	(412,937)
Extracurricular Activities	637,835	135,643	0	(502,192)
Interest and Fiscal Charges	318,331	0	0	(318,331)
Totals	\$21,892,653	\$875,519	\$2,810,701	(18,206,433)

Property Taxes Levied for:	
General Purposes	10,231,367
Special Revenue Purposes	457,722
Debt Service Purposes	513,404
Capital Projects Purposes	216,173
Grants and Entitlements not Restricted to Specific Programs	7,406,977
Revenue in Lieu of Taxes	161,333
Unrestricted Contributions	16,650
Investment Earnings	12,869
Other Revenues	182,865
Total General Revenues	19,199,360
Change in Net Assets	992,927
Net Assets Beginning of Year	4,308,601
Net Assets End of Year	\$5,301,528

See accompanying notes to the Basic Financial Statements.



Finneytown Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$2,044,628	\$618,666	\$748,557	\$3,411,851
<b>Receivables:</b>				
Taxes	10,759,017	550,265	229,454	11,538,736
Intergovernmental	275,000	0	143,629	418,629
<b>Total Assets</b>	<b>13,078,645</b>	<b>1,168,931</b>	<b>1,121,640</b>	<b>15,369,216</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	4,376	0	3,096	7,472
Accrued Wages and Benefits	2,674,685	0	172,884	2,847,569
Compensated Absences	222,064	0	0	222,064
Deferred Revenue	6,938,017	346,265	207,621	7,491,903
<b>Total Liabilities</b>	<b>9,839,142</b>	<b>346,265</b>	<b>383,601</b>	<b>10,569,008</b>
<b>Fund Balances:</b>				
Restricted	0	822,666	764,351	1,587,017
Unassigned	3,239,503	0	(26,312)	3,213,191
<b>Total Fund Balances</b>	<b>3,239,503</b>	<b>822,666</b>	<b>738,039</b>	<b>4,800,208</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$13,078,645</b>	<b>\$1,168,931</b>	<b>\$1,121,640</b>	<b>\$15,369,216</b>

See accompanying notes to the Basic Financial Statements.

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

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Total Governmental Fund Balance		\$4,800,208
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,466,931
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	678,304	
Intergovernmental	<u>64,167</u>	
		742,471
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(20,867)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,072,776)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		54,275
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(6,668,714)</u>
Net Assets of Governmental Activities		<u>\$5,301,528</u>

See accompanying notes to the Basic Financial Statements.

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$10,157,930	\$514,557	\$674,320	\$11,346,807
Revenue in lieu of taxes	161,333	0	0	161,333
Tuition and Fees	450,387	0	3,506	453,893
Investment Earnings	12,473	0	396	12,869
Intergovernmental	7,364,680	83,865	2,809,060	10,257,605
Extracurricular Activities	9,483	0	124,398	133,881
Charges for Services	54,007	0	197,410	251,417
Other Revenues	125,142	0	82,060	207,202
<b>Total Revenues</b>	<b>18,335,435</b>	<b>598,422</b>	<b>3,891,150</b>	<b>22,825,007</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,846,450	0	500,563	7,347,013
Special	2,215,748	0	281,810	2,497,558
Vocational	107,728	0	39,430	147,158
Other	530,181	0	302,772	832,953
<b>Support Services:</b>				
Pupil	1,302,747	0	327,324	1,630,071
Instructional Staff	1,321,703	0	74,539	1,396,242
General Administration	24,595	0	0	24,595
School Administration	1,226,759	0	0	1,226,759
Fiscal	432,541	7,367	2,971	442,879
Business	404,351	0	0	404,351
Operations and Maintenance	1,649,704	0	28,241	1,677,945
Pupil Transportation	775,189	0	101,918	877,107
Central	228,819	0	1,504	230,323
Operation of Non-Instructional Services	111,774	0	2,027,948	2,139,722
Extracurricular Activities	405,376	0	199,250	604,626
Capital Outlay	255,113	0	670	255,783
<b>Debt Service:</b>				
Principal Retirement	0	4,245,000	42,000	4,287,000
Interest and Fiscal Charges	0	299,100	19,739	318,839
Bond Issuance Costs	59,752	0	0	59,752
<b>Total Expenditures</b>	<b>17,898,530</b>	<b>4,551,467</b>	<b>3,950,679</b>	<b>26,400,676</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>436,905</b>	<b>(3,953,045)</b>	<b>(59,529)</b>	<b>(3,575,669)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	42	0	33,610	33,652
Proceeds of Long-Term Capital-Related Debt	0	3,960,000	0	3,960,000
Premium on Refunding Bonds	59,752	63,324	0	123,076
Transfers In	0	0	5,542	5,542
Transfers (Out)	(5,542)	0	0	(5,542)
<b>Total Other Financing Sources (Uses)</b>	<b>54,252</b>	<b>4,023,324</b>	<b>39,152</b>	<b>4,116,728</b>
<b>Net Change in Fund Balance</b>	<b>491,157</b>	<b>70,279</b>	<b>(20,377)</b>	<b>541,059</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>2,748,346</b>	<b>752,387</b>	<b>758,416</b>	<b>4,259,149</b>
<b>Fund Balance End of Year</b>	<b>\$3,239,503</b>	<b>\$822,666</b>	<b>\$738,039</b>	<b>\$4,800,208</b>

See accompanying notes to the Basic Financial Statements.

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

Net Change in Fund Balance - Total Governmental Funds \$541,059

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

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

Capital assets used in governmental activities	560,881	
Depreciation Expense	<u>(558,392)</u>	
		2,489

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (5,010)

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

Delinquent Property Taxes	71,858	
Intergovernmental	<u>(39,927)</u>	
		31,931

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 4,287,000

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Premium on Bonds Issued	(123,076)	
Bond Issuance Costs	<u>59,752</u>	
		(63,324)

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 10,623

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

Compensated Absences	158,274	
Amortization of Bond Issuance Cost	(5,477)	
Amortization on Premium on Bonds Issued	11,282	
Bond Accretion	<u>(15,920)</u>	
		148,159

Proceeds from debt refunding issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (3,960,000)

Change in Net Assets of Governmental Activities \$992,927

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2011

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$41,832</u>
Total Assets	<u>41,832</u>
Liabilities:	
Other Liabilities	<u>41,832</u>
Total Liabilities	<u>\$41,832</u>

See accompanying notes to the Basic Financial Statements.

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**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

The Finneytown Local School District (the "District") is a political body incorporated for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Finneytown Local School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. Total enrollment as of October 1, 2010 was 1,554. The District employed 119 certificated employees and 101 non-certificated employees. The District operated 3 schools – Brent Elementary (grades K-2), Whitaker Elementary (grades 3-6), and the Finneytown Secondary Campus (grades 7-12).

Management believes the financial statements included in this report represent all of the funds of the District for which the Board of Education is financially accountable.

**Reporting Entity**

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

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

The following activities are included within the reporting entity:

Within the District boundaries, St. Xavier High School, St. Vivian Elementary School and Central Baptist Academy, are operated as private schools. Current State legislation provides funding to parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. For financial reporting purposes, activity is reflected in a special revenue fund.

The District is associated with four jointly governed organizations. These organizations include the Great Oaks Institute of Technology and Career Development, Hamilton/Clermont Cooperative Association/Computer Consortium, Unified Purchasing Cooperative of Ohio River Valley, and the Greater Cincinnati Insurance Consortium.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Measurement Focus**

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

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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



**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

Governmental Funds

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

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

The other governmental funds of the District account for grants and other resources, debt service, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are classified as trust funds and agency funds. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include a student managed activity fund and a school-related support organization district agency fund.

**C. Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or 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.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

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

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

Deferred Revenue

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

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

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

Unearned Revenue

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

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**D. Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

During fiscal year 2011, the School District's investments consisted of State Treasury Asset Reserve of Ohio (STAROhio).

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 Rule2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the District allocates interest earnings to funds as prescribed by Board resolution and required by law. Interest revenue during fiscal year 2011 amounted to \$12,869.

**E. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale, to the extent they are on hand at fiscal year end, and consumable supplies.

**F. Capital Assets**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand dollars (\$2,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings	40 years
Building Improvements	20 years
Equipment	5 - 20 years

**G. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

**H. Compensated Absences**

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

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

For governmental fund financial statements, the compensated absences is the amount due and payable. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

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

<u>Vacation</u> How Earned	<u>Certified</u> Not Eligible	<u>Administrators</u> 20-25 days per year depending on length of service	<u>Non-Certificated</u> 10-20 days per year depending upon length of service
Maximum Accumulation	Not Applicable	Up to 20 days from prior years; Payout option: up to 5 unused days/year	Three times annual award
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable termination	Paid upon termination	Paid upon
<u>Sick Leave</u> How Earned	<u>Certified</u> 1 1/4 days per month of employment (15 days per year)	<u>Administrators</u> 1 1/4 days per month of employment (15 days per year)	<u>Non-Certificated</u> 1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	230 days	245 or 260 days	230 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	¼ paid upon retirement; ½ paid if 1 <sup>st</sup> year retirement eligible	Severance based upon 32.43% of final contract salary; 62.16% if 1 <sup>st</sup> year retirement eligible	¼ paid upon retirement; ½ paid if 1 <sup>st</sup> year retirement eligible

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

**I. Net Assets**

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

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

**J. 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.

**K. Fund Balance**

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

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

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

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

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

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

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

**L. Estimates**

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

**NOTE 3 - CASH AND INVESTMENTS**

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

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

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

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

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, the carrying amount of the district's deposits was \$2,282,912 and the bank balance was \$2,686,310. Federal depository insurance covered \$250,000 of the bank balance and \$2,436,310 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments

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

<u>Investment Type</u>	<u>Book Value</u>	<u>Aggregate Credit Risk</u>	<u>Weighted Average Maturity (Years)</u>
STAR Ohio	<u>\$1,170,789</u>	<u>100%</u>	<u>0.16</u>
Total Fair Value	<u>\$1,170,789</u>	<u>100%</u>	<u>0.16</u>

Interest rate risk

It is the District's policy to manage its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio, by matching investment maturities to scheduled obligations and by maintaining desired liquidity objectives.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Credit risk

It is the District's policy to limit its investments, that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government, to investments which are rated at the time of purchase in the highest classification established by at least two (2) nationally recognized statistical rating organizations. The District's investments in STAR Ohio was rated AAAM by Standard & Poors.

Custodial credit risk

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 District requires that all purchased securities are either insured and registered in the name of the District or at least registered in the name of the District.

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

**NOTE 4 - PROPERTY TAXES**

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

Public utility property taxes collected in 2011 were levied in April on assessed values as of the December 31, 2010 lien date. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes collected from local and interexchange telephone companies in 2011 were levied in April on the assessed value as of the December 31, 2010 lien date.

Real property taxes are payable annually or semi-annually. In 2011, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th. Payments by multi-county tangible personal property taxpayers are due September 20th. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30th; if paid semiannually, the first payment is due April 30th, with the remainder payable by September 20th.

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



**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 4 - PROPERTY TAXES (Continued)**

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2011. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011, was \$4,096,000 for the General Fund, \$204,000 for the Bond Retirement Fund and \$86,000 for the Permanent Improvement Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2011 operations.

On a full accrual basis, collectible delinquent property taxes in the amount of \$678,304 have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$223,705,010
Public Utility Personal	6,219,650
Tangible Personal Property	<u>156,140</u>
Total	<u>\$230,080,800</u>

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2011, consisted of taxes, accounts (student fees) and intergovernmental grants. 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.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 6 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Government Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$1,154,812	0	0	\$1,154,812
Construction in Progress	<u>73,207</u>	<u>112,705</u>	<u>(185,912)</u>	<u>0</u>
Subtotal	1,228,019	112,705	(185,912)	1,154,812
<i>Capital assets being depreciated:</i>				
Buildings & Improvements	13,582,749	442,896	(14,629)	14,011,016
Equipment	<u>2,798,805</u>	<u>191,192</u>	<u>(9,000)</u>	<u>2,980,997</u>
Subtotal	16,381,554	634,088	(23,629)	16,992,013
Totals at Historical Cost	<u>\$17,609,573</u>	<u>\$746,793</u>	<u>(\$209,541)</u>	<u>\$18,146,825</u>
<i>Less Accumulated Depreciation:</i>				
Buildings & Improvements	8,093,786	339,817	(11,702)	8,421,901
Equipment	<u>2,046,335</u>	<u>218,575</u>	<u>(6,917)</u>	<u>2,257,993</u>
Total Accumulated Depreciation	<u>\$10,140,121</u>	<u>\$558,392</u>	<u>(\$18,619)</u>	<u>\$10,499,894</u>
Governmental Activities Capital Assets, Net	<u>\$7,469,452</u>	<u>\$188,401</u>	<u>(\$190,922)</u>	<u>\$7,466,931</u>

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$104,428
Special	6,412
Vocational	2,051
Support Services:	
Pupil	7,213
School Administration	2,676
Treasurer	3,777
Business	19,299
Operations and Maintenance	31,188
Pupil Transportation	133,556
Central	6,327
Community Services	199,915
Extracurricular Activities	<u>41,550</u>
Total Depreciation Expense	<u>\$558,392</u>

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 7 - 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 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$20,693,219 and an unvoted debt margin of \$229,925.

The bond issue is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Payment of principal and interest relating to this liability is recorded as an expenditure in the Debt Service Fund.

**NOTE 8 - LONG-TERM LIABILITIES**

The change in the District's long-term obligations during the year consists of the following:

	<u>Rate</u>	<u>Maturity Dates</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>							
<u>General Obligation Bonds:</u>							
1997 Series School Improvement Bonds							
Serial Bonds	5.68%	12/1/24	\$6,355,000	\$ 0	\$4,170,000	\$2,185,000	\$225,000
2010 Series Refunding Bonds							
Serial Bonds	3.48%	12/1/24	0	3,760,000	75,000	3,685,000	105,000
Capital Appreciation		12/1/20	0	200,000	0	200,000	0
Accretion of Interest		12/1/20	0	15,920	0	15,920	0
Premium		12/1/24	0	123,076	11,282	111,794	0
			<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total General Obligation Bonds			6,355,000	4,098,996	4,256,282	6,197,714	330,000
Capital Lease Obligations	3.32%	1/1/20		<u>513,000</u>	<u>0</u>	<u>42,000</u>	<u>471,000</u>
<u>44,000</u>							
Total Long-Term Liabilities				6,868,000	4,098,996	4,298,282	6,668,714
374,000							
Compensated Absences				1,385,865	141,098	232,124	1,294,840
275,271							
Total Governmental Activities			<u>\$8,253,866</u>	<u>\$ 4,240,094</u>	<u>\$4,530,406</u>	<u>\$7,963,554</u>	<u>\$649,271</u>

On August 3, 2010, the District current refunded \$3,960,000 in School Improvement Bonds that were originally issued for the purpose of new construction, improvements, renovations and additions to school facilities. Of the \$3,960,000 issued, \$3,760,000 represents serial bonds and \$200,000 is capital appreciation bonds. The capital appreciation bonds for the 2010 issue mature on December 1, 2020. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$520,000. For fiscal year 2011, \$15,920 was accreted, for a total bond liability of \$215,920.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 8 - LONG-TERM LIABILITIES (Continued)**

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the permanent improvement fund.

The District's Board of Education has approved a Retirement Assistance Plan. Participation is open to employees that agree to retire at the end of the school year in which they first become eligible (as determined by the retirement system). Employees that qualify will receive a severance per diem stipend of fifty percent (50%) of accumulated unused sick leave. Administrative employees that qualify receive 62.16% of their final contract salary. The year end liability is paid out in two installments—September 2011 and July 2012. Employees not qualifying for the Retirement Assistance Program receive twenty-five percent (25%) of accumulated sick leave paid September 2011. Administrative employees that do not qualify receive 32.43% of their final contract salary. This liability is included in the Compensated Absences portion of the table above.

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 330,000	\$250,408	\$ 580,408	\$ 0	\$ 0	\$ 0
2013	345,000	235,520	580,520	0	0	0
0						
2014	365,000	217,758	582,758	0	0	0
2015	380,000	198,698	578,698	0	0	0
2016	400,000	178,498	578,498	0	0	0
2017-2021	\$1,865,000	\$559,320	\$2,424,320	0	0	0
2022-2025	\$2,185,000	\$196,338	\$2,381,338	200,000	320,000	520,000
<hr/>						
Total	<u>\$5,870,000</u>	<u>\$1,836,538</u>	<u>\$7,706,538</u>	<u>\$200,000</u>	<u>\$320,000</u>	<u>\$520,000</u>

In September 2010, the District simultaneously paid off and reissued \$3.96 million in outstanding general obligation bonds, saving taxpayers \$1.11 million over the remaining 14-year life of the issue. The refunding lowers the interest cost from 5.80% to 3.48%. In July 2010, Standard & Poor's increased the district's bond rating from "A" to "AA".

**NOTE 9 - CAPITAL LEASES – LESSEE DISCLOSURE**

In fiscal year 2004, the District entered into a lease-purchase agreement for the construction of gymnasium bleachers, a bus garage/maintenance building and middle school elevator. In fiscal year 2008, the District amended the lease-purchase agreement to replace the bus garage/maintenance building portion of the Original Project with the acquisition and improvement of real property, including demolition, site improvements and construction of an access drive. The School District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned U.S. Bank as trustee. The lease is renewable annually and expires in 2019. The intention of the District is to renew the lease annually.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 9 - CAPITAL LEASES – LESSEE DISCLOSURE (Continued)**

The District makes semi-annual lease payments from the Permanent Improvement Fund to U.S. Bank Corporate Trust Services. The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 3.745% plus an annual administrative fee not to exceed .15%. The letter of credit fee was increased by 20 basis points effective in 1/1/2012. In fiscal year 2011, the District made the scheduled principal payment of \$42,000. The principal amount owed on the lease at fiscal year-end is \$471,000.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30,	Total Payments
2012	63,372
2013	63,479
2014	63,628
2015	63,629
2016	63,489
2017 - 2020	<u>252,627</u>
Total	\$570,224
Less: Amount Representing Interest (3.745%)	(91,154)
Less: Additional Program Cost Components	<u>(8,070)</u>
Present Value of Minimum Lease Payments	<u>\$471,000</u>

**NOTE 10 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund,

Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$448,800, \$416,184, and \$417,960, respectively, which equaled the required contributions each year.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 10 - PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 East Broad Street, Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC

Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

The DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the formula benefit the retirement allowance is based on years of credited service and final average salary, which is the average of the members' three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5% with an additional one-tenth of a percent added to the calculation for every year over 31 years until 100% of the final average salary is reached. For members with 35 or more years of Ohio contributing services, the first 30 years will be calculated at 2.5%. Under the "money-purchase benefit" calculation, a members' lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices.

Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the member's account balance.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 10 - PENSION PLANS (Continued)**

Combined Plan offers features of the DC Plan and the DB Plan. Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Plan members' defined benefit is determined by multiplying 1% of the members' final average salary by the members' years of service credit. The defined benefit portion of the Combined Plan is payable to members on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$1,209,552, \$1,212,528, and \$1,169,280, respectively; 83.9% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**C. Social Security System**

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

**NOTE 11 - POST EMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired non-certified employees and their dependents through the School Employees Retirement System of Ohio (SERS) and to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits included hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 11 - POST EMPLOYMENT BENEFITS (Continued)**

**A. School Employees Retirement System**

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

Medicare Part B Plan

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$24,364, \$22,953 and \$22,391, respectively, which equaled the required contributions.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS- covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$102,751, \$56,840, and \$167,359, respectively.

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

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



**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 11 - POST EMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System**

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$12,096, \$12,125, and \$11,693, respectively; 83.9% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**NOTE 12 - CONTINGENCIES**

**A. Grants**

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

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

**B. Litigation**

The School District is not a party to legal proceedings.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 12 - CONTINGENCIES (Continued)**

**C. Duke Energy Contingency**

In June 2010, Duke Energy notified School District customers in southwest Ohio that it had appealed its personal property valuation with the Ohio Department of Taxation and was going to reduce its tax payments while the appeal was in process. The impact on the District is estimated at \$210,154 per year if Duke wins the appeal. Duke indicated that it would begin deducting half that amount from its tax payments beginning in fiscal year 2011. The District believes that the valuation method used by the Ohio Department of Taxation is correct and will be upheld. However, the District has adjusted its forecasted tax revenues to reflect this change and has sufficient cash reserves to cover the repayment of taxes that would be necessary if Duke wins the appeal.

**NOTE 13 - RISK MANAGEMENT**

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. During fiscal year 2011, the District contracted with Ohio Casualty for property, boiler and machinery insurance and for general liability insurance.

The District maintains blanket building and contents insurance coverage on its assets with a 46,133,100 limit of liability and a \$1000 deductible. Vehicles have a \$500 deductible for comprehensive, \$500 deductible for collision and a \$1,000,000 single limited liability. Settlement amounts have not exceeded insurance coverage for any of the past three fiscal years. The District maintains general liability insurance with limits of \$1,000,000 each occurrence, \$2,000,000 aggregate. The District also has \$1,000,000 umbrella liability coverage over both general and automobile liability limits.

Public officials bond insurance is provided by the Ohio Casualty Insurance Company. The Treasurer and Director of Administrative Services are covered by bonds in the amounts \$20,000 each. Treasurer Office and Athletic Department employees are covered by \$5,000 bonds. The Cafeteria manager is covered by a \$3,000 bond. For fiscal year 2011 the District provided employee medical/surgical benefits through the Greater Cincinnati, Insurance Consortium.

**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS**

*Great Oaks Institute of Career Technology and Development* - The Great Oaks Institute of Career Technology and Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. Great Oaks possesses its own budgeting and taxing authority. To obtain financial information, contact Rob Giuffrè, Treasurer, Great Oaks Institute of Career Technology and Development, 3254 East Kemper Road, Cincinnati, Ohio 45241.

*Hamilton/Clermont Cooperative Association* – The District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA), a regional Information Technology Center (ITC) established by the state of Ohio. H/CCA is a member of the Ohio Educational Computer Network. H/CCA provides data and Internet services for public and non-public schools in the Greater Cincinnati Metropolitan Area. The governing board of H/CCA consists of the superintendents and treasurers of the participating members. To obtain financial information, contact Al Porter, Director, H/CCA, 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*Unified Purchasing Cooperative of Ohio River Valley* - The Unified Purchasing Cooperative of Ohio River Valley is a jointly governed organization among a two-county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office, and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments.

*Greater Cincinnati Insurance Consortium* – The District participates as a member of the Greater Cincinnati Insurance Consortium (GCIC), a shared risk pool, comprised of twelve Hamilton County school districts and the Hamilton County Educational Service Center. The purpose of the consortium is to establish and maintain a fund to provide and/or purchase health insurance, dental insurance, life insurance and other insurance benefits for employees, their dependents and designated beneficiaries. The consortium is governed by a Board of Directors consisting of one (1) representative selected from each participating district and the educational service center. Each member pays an administrative fee to the pool. The Consortium converted from a fully-insured consortium through an independent third party insurance company to a self-funded insurance consortium with stop loss insurance coverage effective July 1, 2007. Anthem Blue Cross Blue Shield provides claim review and processing.

**NOTE 15 - SET-ASIDE CALCULATIONS**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. For fiscal year ended June 30, 2011, the School District was not required to set aside funds in the budget reserve set-aside.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2010	\$ 0	\$ 0
Current Year Set-aside Requirement	236,218	236,218
Qualified Disbursements	(268,370)	(369,742)
Current Year Offsets	<u>0</u>	<u>(290,983)</u>
Total	<u>\$ (32,152)</u>	<u>\$(424,507)</u>
Set-Aside Reserve Balance as of June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>
Cumulative Surplus Spending Credit		
Carried Forward to FY 2012	<u>\$(1,000,379)</u>	<u>\$ 0</u>

The cumulative surplus spending credit may be carried forward to offset textbook spending requirements in future fiscal years. In fiscal year 2011, this balance increased from \$968,227 to \$1,000,379.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 16 – FUND BALANCES**

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
<b>Restricted for:</b>				
Other Grant Funds	0	0	19,568	19,568
Athletic	0	0	95,572	95,572
Auxiliary Services	0	0	116,727	116,727
EMIS	0	0	3,496	3,496
Improving Teacher Quality	0	0	329	329
Food Service	0	0	29,285	29,285
Debt Service	0	822,666	0	822,666
Classroom Facilities	0	0	0	0
Permanent Improvement	0	0	499,374	499,374
<b>Total Restricted</b>	<b>0</b>	<b>822,666</b>	<b>764,351</b>	<b>1,587,017</b>
<b>Unassigned (Deficit)</b>	<b>3,239,503</b>	<b>0</b>	<b>(26,312)</b>	<b>3,213,191</b>
<b>Total Fund Balance</b>	<b>\$3,239,503</b>	<b>822,666</b>	<b>\$738,039</b>	<b>\$4,800,208</b>

**NOTE 17 – FUND BALANCE DEFICIT**

At June 30, 2011, the Special Education, Part B IDEA Fund had a deficit fund balance of \$15,285, and the Title I Fund had a deficit fund balance of \$11,027. The deficit fund balance was created by the application of general accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE**

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE 19 - RESTATEMENT OF FUND BALANCE**

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported. In addition, the Debt Service Fund is now a major fund.

	<u>General Fund</u>	Other Governmental <u>Funds</u>
Fund Balance, June 30, 2010	\$2,610,556	\$1,648,593
Major Fund Reclassification	\$ 0	\$ (752,387)
Change in Fund Structure	<u>\$ 137,790</u>	<u>\$ (137,790)</u>
Fund Balance, June 30, 2010 - Restated	<u>\$2,748,346</u>	<u>\$ 758,416</u>

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$9,402,280	\$9,381,954	\$9,404,930	\$22,976
Revenue in lieu of taxes	274,837	274,242	274,914	672
Tuition and Fees	363,983	363,197	364,086	889
Investment Earnings	12,469	12,443	12,473	30
Intergovernmental	7,362,605	7,346,690	7,364,680	17,990
Charges for Services	53,992	53,875	54,007	132
Other Revenues	96,768	96,559	96,795	236
<b>Total Revenues</b>	<b>17,566,934</b>	<b>17,528,960</b>	<b>17,571,885</b>	<b>42,925</b>
Expenditures:				
Current:				
Instruction:				
Regular	6,843,150	6,683,940	6,683,940	0
Special	2,242,966	2,190,782	2,190,782	0
Vocational	96,564	94,317	94,317	0
Adult/Continuing	13,422	13,110	13,110	0
Other	570,163	556,898	556,898	0
Support Services:				
Pupil	1,280,387	1,250,598	1,250,598	0
Instructional Staff	1,388,621	1,356,314	1,356,314	0
General Administration	25,558	24,963	24,963	0
School Administration	1,226,732	1,198,191	1,198,191	0
Fiscal	445,381	435,019	435,019	0
Business	447,408	436,999	436,999	0
Operations and Maintenance	1,688,567	1,649,281	1,649,281	0
Pupil Transportation	797,338	778,787	778,787	0
Central	232,429	227,021	227,021	0
Operation of Non-Instructional Services	108,096	105,581	105,581	0
Extracurricular Activities	411,261	401,693	401,693	0
Capital Outlay	261,190	255,113	255,113	0
Debt Service:				
Bond Issuance Costs	61,175	59,752	59,752	0
<b>Total Expenditures</b>	<b>18,140,408</b>	<b>17,718,359</b>	<b>17,718,359</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(573,474)</b>	<b>(189,399)</b>	<b>(146,474)</b>	<b>42,925</b>
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	42	42	42	0
Advances In	42,947	42,854	42,959	105
Advances (Out)	(5,325)	(5,201)	(5,201)	0
Premium and Accrued Interest on Bonds	59,735	59,752	59,752	0
Transfers (Out)	(9,104)	(8,892)	(8,892)	0
<b>Total Other Financing Sources (Uses)</b>	<b>88,295</b>	<b>88,555</b>	<b>88,660</b>	<b>105</b>
<b>Net Change in Fund Balance</b>	<b>(485,179)</b>	<b>(100,844)</b>	<b>(57,814)</b>	<b>43,030</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,964,589	1,964,589	1,964,589	0
<b>Fund Balance End of Year</b>	<b>\$1,479,410</b>	<b>\$1,863,745</b>	<b>\$1,906,775</b>	<b>\$43,030</b>

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 1 - BUDGETARY PROCESS**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year.

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

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual 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 GAAP basis are as follows:

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



**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 19 - BUDGETARY PROCESS (Continued)**

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

Net Change in Fund Balance

	<u>General Fund</u>
GAAP Basis	\$491,157
Revenue Accruals	(763,550)
Expenditure Accruals	180,171
Advances In	42,959
Advances Out	(5,201)
Transfers Out	<u>(3,350)</u>
Budget Basis	<u>\$ (57,814)</u>

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**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<u>Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$47,585	\$47,585
National School Lunch Program	10.555	197,185	197,185
Total U.S. Department of Agriculture		<u><b>244,770</b></u>	<u><b>244,770</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
<u>Special Education Cluster:</u>			
ARRA - Special Education Grant to States (IDEA Part B)	84.391	312,044	274,150
Special Education Grants to State (IDEA Part B)	84.027	567,468	563,713
ARRA - Special Education Preschool Grants	84.392	20,738	20,738
Special Education Preschool Grants	84.173	<u>18,311</u>	<u>9,574</u>
Total Special Education Cluster		918,561	868,175
<u>Title I Cluster:</u>			
ARRA Title I	84.389	88,132	70,293
Title I	84.010	<u>224,349</u>	<u>218,824</u>
Total Title I Cluster		312,481	289,117
Safe and Drug Free Schools	84.186	3,025	0
Educational Technology State Grants (Title II - D)	84.318	1,586	1,584
Improving Teacher Quality State Grants (Title II-A)	84.367	60,422	55,187
ARRA - State Fiscal Stabilization Fund	84.394	457,722	457,722
Race to the Top	84.395	17,034	17,033
<i>Passed Through Great Oaks Institute of Technology and Career Development</i>			
Vocational Education Basic Grants to States	84.048	<u>4,111</u>	<u>4,111</u>
Total U.S. Department of Education		<u><b>1,774,942</b></u>	<u><b>1,692,929</b></u>
<b>Total</b>		<u><b>\$2,019,712</b></u>	<u><b>\$1,937,699</b></u>

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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



# Dave Yost • Auditor of State

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

Finneytown Local School District  
Hamilton County  
8916 Fontainbleau Terrace  
Cincinnati, Ohio 45231

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 Finneytown Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2012. As described in Note 18, during 2011, the District adopted the provisions of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242

Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

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

**Dave Yost**  
Auditor of State

January 31, 2012



# Dave Yost • Auditor of State

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

Finneytown Local School District  
Hamilton County  
8916 Fontainbleau Terrace  
Cincinnati, Ohio 45231

To the Board of Education:

### Compliance

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

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

### Internal Control Over Compliance

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

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

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

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

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

**Dave Yost**  
Auditor of State

January 31, 2012



**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

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

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

None.

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

None.

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# Dave Yost • Auditor of State

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

Finneytown Local School District  
Hamilton County  
8916 Fontainbleau Terrace  
Cincinnati, Ohio 45231

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

1. We noted the Board amended its anti-harassment policy at its meeting on January 18, 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.

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

**Dave Yost**  
Auditor of State

January 31, 2012

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# Dave Yost • Auditor of State

**FINNEYTOWN LOCAL SCHOOL DISTRICT**

**HAMILTON 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  
FEBRUARY 21, 2012**