



Dave Yost • Auditor of State

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Coshocton City School District
Coshocton County
1207 Cambridge Road
Coshocton, Ohio 43812

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate discretely presented component unit and remaining fund information of the Coshocton City School District, Coshocton County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate discretely presented component unit and remaining fund information of the Coshocton City School District, Coshocton County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2013, 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*, as listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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



Dave Yost
Auditor of State

February 19, 2013

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012***

Unaudited

The discussion and analysis of Coshocton City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 are as follows:

- ❑ Net assets increased \$1,189,359, or 5% during fiscal year 2012.
- ❑ General revenues accounted for \$14,942,113 in revenue or 73% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,528,994 or 27% of total revenues of \$20,471,107.
- ❑ The District had \$19,281,748 in expenses related to governmental activities; only \$5,528,994 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,942,113 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$16,398,231 in revenues and \$15,578,981 in expenditures. The general fund's fund balance increased \$802,521 to an ending balance of \$1,614,253.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012*

Unaudited

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth, and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

- *Governmental Activities* – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

Proprietary Funds – The District uses internal service funds to report activities that provide services for the District's other programs and activities. The District's dental and prescription drug self insurance program is reported in an internal service fund. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012***

Unaudited

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2012 compared to 2011.

	Governmental Activities	
	2012	2011
Current and other assets	\$35,594,298	\$37,675,416
Capital assets, Net	9,225,123	5,680,992
Total assets	44,819,421	43,356,408
Long-term debt outstanding	11,568,361	11,354,845
Other liabilities	7,732,418	7,672,280
Total liabilities	19,300,779	19,027,125
Net assets		
Invested in capital assets, net of related debt	8,962,415	5,543,934
Restricted	12,250,610	16,492,879
Unrestricted	4,305,617	2,292,470
Total net assets	\$25,518,642	\$24,329,283

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COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012***

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2012 compared to fiscal 2011:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,416,445	\$1,582,113	(\$165,668)
Operating Grants and Contributions	4,097,549	4,761,212	(663,663)
Capital Grants and Contributions	15,000	16,132,558	(16,117,558)
Total Program Revenues	5,528,994	22,475,883	(16,946,889)
General Revenues:			
Property Taxes	5,993,322	4,937,768	1,055,554
Intergovernmental, Unrestricted	8,741,272	8,702,445	38,827
Other	207,519	154,162	53,357
Total General Revenues	14,942,113	13,794,375	1,147,738
Total Revenues	20,471,107	36,270,258	(15,799,151)
Program Expenses			
Instruction	11,876,506	11,794,325	82,181
Support Services:			
Pupils	771,171	803,454	(32,283)
Instructional Staff	847,416	821,641	25,775
Board of Education	25,740	34,194	(8,454)
Administration	1,412,851	1,406,312	6,539
Fiscal Services	483,041	434,377	48,664
Business	297,533	315,222	(17,689)
Operation and Maintenance of Plant	1,510,542	1,507,473	3,069
Pupil Transportation	327,491	44,743	282,748
Central	37,274	60,105	(22,831)
Operation of Non-Instructional:			
Food Service Operations	771,983	845,552	(73,569)
Community Services	36,431	74,358	(37,927)
Extracurricular Activities	379,980	405,947	(25,967)
Interest and Fiscal Charges	503,789	567,820	(64,031)
Total Expenses	19,281,748	19,115,523	166,225
Total Change in Net Assets	1,189,359	17,154,735	(15,965,376)
Beginning Net Assets	24,329,283	7,174,548	17,154,735
Ending Net Assets	\$25,518,642	\$24,329,283	\$1,189,359

Governmental Activities

Net assets of the District's governmental activities increased \$1,189,359. Capital grants and contributions received in the prior fiscal year from the Ohio School Facilities Commission for the construction of a new elementary school building resulted in the subsequent decrease in capital grants and contributions in fiscal 2012. An increase in property taxes available for advance contributed to the increase in taxes. Expenses remained stable, increasing less than 1%.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

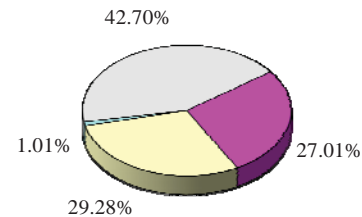
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the 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.

Property taxes made up 29% of revenues for governmental activities for Coshocton City Schools in fiscal year 2012. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2012	Percent of Total
General Grants	\$8,741,272	42.70%
Program Revenues	5,528,994	27.01%
General Tax Revenues	5,993,322	29.28%
General Other	207,519	1.01%
Total Revenue	<u>\$20,471,107</u>	<u>100.00%</u>



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$18,641,159, which is above last year's balance of \$13,934,584. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase (Decrease)
General	\$1,614,253	\$811,732	\$802,521
Classroom Facilities	14,871,163	11,383,687	3,487,476
Other Governmental	2,155,743	1,739,165	416,578
Total	<u>\$18,641,159</u>	<u>\$13,934,584</u>	<u>\$4,706,575</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012***

Unaudited

General Fund – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2012 Revenues	2011 Revenues	Increase (Decrease)
Taxes	\$5,473,459	\$4,566,602	\$906,857
Tuition	910,715	987,149	(76,434)
Investment Earnings	8,083	8,266	(183)
Extracurricular Activities	32,769	41,642	(8,873)
Class Materials and Fees	28,254	26,337	1,917
Rent	87,575	122,918	(35,343)
Intergovernmental - State	9,789,772	9,794,598	(4,826)
All Other Revenue	67,604	19,774	47,830
Total	\$16,398,231	\$15,567,286	\$830,945

General Fund revenues in 2012 increased 5% compared to revenues in fiscal year 2011. An increase in property taxes available for advance contributed to the increase in taxes.

	2012 Expenditures	2011 Expenditures	Increase (Decrease)
Instruction	\$10,178,663	\$10,088,306	\$90,357
Supporting Services:			
Pupils	755,989	562,861	193,128
Instructional Staff	479,077	497,391	(18,314)
Board of Education	25,740	34,194	(8,454)
Administration	1,366,956	1,365,640	1,316
Fiscal Services	464,015	420,845	43,170
Business	299,220	284,945	14,275
Operation and Maintenance of Plant	1,491,225	1,502,439	(11,214)
Pupil Transportation	287,727	314,750	(27,023)
Central	32,103	5,986	26,117
Community Services	1,515	12,101	(10,586)
Extracurricular Activities	196,751	200,131	(3,380)
Debt Service			
Interest and Fiscal Charges	0	191,216	(191,216)
Total	\$15,578,981	\$15,480,805	\$98,176

General Fund expenditures remained stable when compared with the prior year, increasing \$98,176 or less than 1%.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012***

Unaudited

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

During the course of fiscal year 2012 the District amended its General Fund budget several times, none significant.

For the General Fund, original budgeted, final budgeted and actual budget basis revenues were not materially different. Actual expenditures were approximately 1% less than final budgeted amounts. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2012 the District had \$9,225,123 net of accumulated depreciation invested in land, construction in progress, buildings, improvements, machinery, equipment and vehicles. The following table shows fiscal year 2012 and 2011 balances:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Land	\$686,524	\$686,524	\$0
Construction in Progress	4,756,748	974,011	3,782,737
Land Improvements	89,337	89,337	0
Buildings and Improvements	9,866,912	9,803,671	63,241
Machinery and Equipment	3,629,545	3,680,183	(50,638)
Vehicles	709,065	757,404	(48,339)
Less: Accumulated Depreciation	(10,513,008)	(10,310,138)	(202,870)
Totals	\$9,225,123	\$5,680,992	\$3,544,131

New elementary school building construction resulted in the increase in construction in progress.

Additional information on the District's capital assets can be found in Note 8.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012***

Unaudited

Debt

The following table summarizes the District's debt outstanding as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Governmental Activities:		
General Obligation Bond:		
School Construction	\$9,407,271	\$9,644,523
Energy Conservation	448,691	0
Capital Leases Payable	100,821	137,058
Compensated Absences	1,611,578	1,573,264
Totals	<u>\$11,568,361</u>	<u>\$11,354,845</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2012, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 11.

ECONOMIC FACTORS

The Coshocton City School District relies upon local property taxes and state foundation to fund its General Fund operations. The District last passed a five year emergency operating levy in November of 2008. The District continues to experience decreasing enrollment, which reduces the amount of funding from the state foundation program. The District has also experienced a decline in the industrial/commercial valuation in recent years due to the closing and reductions of several area businesses. The relocation of a large retailer to a development area outside the District and the closure of two manufacturing plants have presented an additional fiscal challenge to District resources.

In addition to these local challenges, another challenge facing the District is the future of state funding.

The District has been approved for funding from the Ohio School Facilities Commission. The District passed a bond issue in May 2010 in order to replace District elementary schools.

In conclusion, the Coshocton City School District's management has committed itself to financial prudence in the years to come.

REQUESTS FOR INFORMATION

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 Gary L. Lowe, Coshocton City School District.

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COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Net Assets
June 30, 2012

	Governmental Activities	Component Unit Opportunity School
Assets:		
Cash and Cash Equivalents	\$ 24,606,422	\$ 181,921
Receivables:		
Taxes	5,682,520	0
Intergovernmental	5,245,249	661
Due from External Parties	1,000	0
Due from Component Unit	16,001	0
Inventory of Supplies at Cost	11,170	0
Prepaid Items	5,763	1,867
Restricted Assets:		
Cash with Fiscal Agent	26,173	0
Non-Depreciable Capital Assets	5,443,272	0
Depreciable Capital Assets, Net	3,781,851	28,336
Total Assets	44,819,421	212,785
Liabilities:		
Accounts Payable	119,638	0
Accrued Wages and Benefits	1,295,497	0
Intergovernmental Payable	372,460	0
Contracts Payable	930,832	0
Claims Payable	131,257	0
Due to Primary Government	0	16,001
Unearned Revenue - Taxes	4,814,484	0
Accrued Interest Payable	42,077	0
Retainage Payable	26,173	0
Long Term Liabilities:		
Due Within One Year	519,062	0
Due in More Than One Year	11,049,299	0
Total Liabilities	19,300,779	16,001
Net Assets:		
Invested in Capital Assets, Net of Related Debt	8,962,415	28,336
Restricted For:		
Capital Projects	11,553,288	0
Debt Service	192,949	0
Other Purposes	504,373	46,567
Unrestricted	4,305,617	121,881
Total Net Assets	\$ 25,518,642	\$ 196,784

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Activities For the Fiscal Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Opportunity School	
Governmental Activities:							
Instruction	\$ 11,876,506	\$ 938,969	\$ 2,736,146	\$ 0	\$ (8,201,391)	\$ 0	
Support Services:							
Pupils	771,171	0	11,820	0	(759,351)	0	
Instructional Staff	847,416	0	260,497	0	(586,919)	0	
Board of Education	25,740	0	0	0	(25,740)	0	
Administration	1,412,851	0	67,089	0	(1,345,762)	0	
Fiscal Services	483,041	0	2,714	0	(480,327)	0	
Business	297,533	0	0	0	(297,533)	0	
Operation and Maintenance of Plant	1,510,542	87,575	19,991	15,000	(1,387,976)	0	
Pupil Transportation	327,491	0	0	0	(327,491)	0	
Central	37,274	0	0	0	(37,274)	0	
Operation of Non-Instructional:							
Food Service Operations	771,983	218,680	654,992	0	101,689	0	
Community Services	36,431	0	47,661	0	11,230	0	
Extracurricular Activities	379,980	171,221	0	0	(208,759)	0	
Interest and Fiscal Charges	503,789	0	296,639	0	(207,150)	0	
Total Primary Government	<u>\$ 19,281,748</u>	<u>\$ 1,416,445</u>	<u>\$ 4,097,549</u>	<u>\$ 15,000</u>	<u>(13,752,754)</u>	<u>0</u>	
Component Unit:							
Opportunity School	\$ 508,690	\$ 927	\$ 31,136				(476,627)
General Revenues							
Property Taxes Levied for:							
					5,326,913	0	
					117,234	0	
					481,811	0	
					67,364	0	
					8,741,272	344,750	
					27,348	215	
					180,171	350	
					<u>14,942,113</u>	<u>345,315</u>	
					1,189,359	(131,312)	
					24,329,283	328,096	
					<u>\$ 25,518,642</u>	<u>\$ 196,784</u>	

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Balance Sheet
Governmental Funds
June 30, 2012

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 2,211,316	\$ 15,755,669	\$ 2,695,892	\$ 20,662,877
Receivables:				
Taxes	5,050,740	0	631,780	5,682,520
Intergovernmental	5,608	4,654,684	584,957	5,245,249
Interfund Loans Receivable	303,577	0	0	303,577
Due from Component Unit	0	0	16,001	16,001
Supplies Inventory	0	0	11,170	11,170
Prepaid Items	5,763	0	0	5,763
Restricted Assets:				
Cash and Cash Equivalents	55,311	0	0	55,311
Cash with Fiscal Agent	0	26,173	0	26,173
Advances to Other Funds	1,000	0	0	1,000
Total Assets	\$ 7,633,315	\$ 20,436,526	\$ 3,939,800	\$ 32,009,641
Liabilities:				
Accounts Payable	\$ 59,620	\$ 0	\$ 60,018	\$ 119,638
Accrued Wages and Benefits	1,080,126	0	215,371	1,295,497
Intergovernmental Payable	296,227	0	76,233	372,460
Contracts Payable	0	884,506	46,326	930,832
Interfund Loans Payable	0	0	303,577	303,577
Deferred Revenue - Taxes	4,429,469	0	631,780	5,061,249
Deferred Revenue	0	4,654,684	450,752	5,105,436
Retainage Payable	0	26,173	0	26,173
Compensated Absences Payable	153,620	0	0	153,620
Total Liabilities	6,019,062	5,565,363	1,784,057	13,368,482
Fund Balance:				
Nonspendable	5,763	0	11,170	16,933
Restricted	55,311	14,871,163	2,355,019	17,281,493
Assigned	295,399	0	0	295,399
Unassigned	1,257,780	0	(210,446)	1,047,334
Total Fund Balance	1,614,253	14,871,163	2,155,743	18,641,159
Total Liabilities and Funds Balance	\$ 7,633,315	\$ 20,436,526	\$ 3,939,800	\$ 32,009,641

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities June 30, 2012

Total Governmental Fund Balances	\$	18,641,159
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		9,225,123
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		5,352,201
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		3,756,977
Long-term liabilities, including bonds and leases payable are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(9,855,962)	
Capital Leases Payable	(100,821)	
Compensated Absences Payable	(1,457,958)	
Accrued Interest Payable	(42,077)	(11,456,818)
<i>Net Assets of Governmental Activities</i>	\$	<u>25,518,642</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2012

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local Sources:				
Taxes	\$ 5,473,459	\$ 0	\$ 667,183	\$ 6,140,642
Tuition	910,715	0	0	910,715
Investment Earnings	8,083	19,182	83	27,348
Extracurricular Activities	32,769	0	138,452	171,221
Food Services	0	0	218,680	218,680
Class Materials and Fees	28,254	0	0	28,254
Rent	87,575	0	0	87,575
Intergovernmental - State	9,789,772	7,073,558	181,754	17,045,084
Intergovernmental - Federal	0	0	2,677,527	2,677,527
All Other Revenue	67,604	3,500	103,459	174,563
Total Revenue	16,398,231	7,096,240	3,987,138	27,481,609
Expenditures:				
Current:				
Instruction	10,178,663	0	1,477,014	11,655,677
Supporting Services:				
Pupils	755,989	0	1,832	757,821
Instructional Staff	479,077	0	381,585	860,662
Board of Education	25,740	0	0	25,740
Administration	1,366,956	0	59,643	1,426,599
Fiscal Services	464,015	2,994	22,894	489,903
Business	299,220	0	0	299,220
Operation and Maintenance of Plant	1,491,225	0	40,091	1,531,316
Pupil Transportation	287,727	0	0	287,727
Central	32,103	0	5,171	37,274
Operation of Non-Instructional:				
Food Service Operations	0	0	781,951	781,951
Community Services	1,515	0	34,999	36,514
Extracurricular Activities	196,751	0	180,354	377,105
Capital Outlay	0	3,605,770	315,254	3,921,024
Debt Service:				
Principal Retirement	0	0	245,000	245,000
Interest & Fiscal Charges	0	0	495,339	495,339
Total Expenditures	15,578,981	3,608,764	4,041,127	23,228,872

COSHOCTON CITY SCHOOL DISTRICT, OHIO

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	819,250	3,487,476	(53,989)	4,252,737
Other Financing Sources (Uses):				
Bond Issuance	0	0	448,691	448,691
Transfers In	0	0	22,337	22,337
Transfers Out	(22,337)	0	0	(22,337)
Refund of Prior Year Expenditures	5,608	0	0	5,608
Total Other Financing Sources (Uses)	(16,729)	0	471,028	454,299
Net Change in Fund Balance	802,521	3,487,476	417,039	4,707,036
Fund Balance at Beginning of Year	811,732	11,383,687	1,739,165	13,934,584
Decrease in Inventory	0	0	(461)	(461)
Fund Balance End of Year	\$ 1,614,253	\$ 14,871,163	\$ 2,155,743	\$ 18,641,159

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2012***

Net Change in Fund Balances - Total Governmental Funds	\$ 4,707,036
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,544,131
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,031,110)
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Bond Issuance	(448,691)
Bond Principal Retirement	245,000
Amortization of Premium	5,960
Interest Accretion on Bond	(13,708)
Capital Lease Retirement	<u>36,237</u>
	(175,202)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(702)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Decrease in Compensated Absences Payable	36,497
Decrease in Supplies Inventory	<u>(461)</u>
	36,036
The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.	<u>109,170</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>\$ 1,189,359</u>

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COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2012***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 5,022,967	\$ 5,022,967	\$ 5,050,407	\$ 27,440
Tuition	0	0	910,715	910,715
Investment Earnings	5,800	5,800	8,017	2,217
Class Material and Fees	10,100	10,100	14,100	4,000
Rent	0	0	87,575	87,575
Intergovernmental - State	9,949,351	9,949,351	9,789,772	(159,579)
All Other Revenues	862,632	862,632	65,201	(797,431)
Total Revenues	15,850,850	15,850,850	15,925,787	74,937
Expenditures:				
Current:				
Instruction	10,326,711	10,454,326	10,329,879	124,447
Support Services:				
Pupils	760,680	770,080	757,913	12,167
Instructional Staff	527,317	533,833	518,223	15,610
Board of Education	26,745	27,075	24,493	2,582
Administration	1,344,431	1,361,045	1,345,573	15,472
Fiscal Services	477,313	483,211	465,861	17,350
Business	347,560	351,855	344,842	7,013
Operation and Maintenance of Plant	1,545,506	1,564,605	1,559,298	5,307
Pupil Transportation	380,803	385,509	373,347	12,162
Central	34,127	34,549	34,542	7
Community Services	2,766	2,800	2,049	751
Extracurricular Activities	212,657	215,285	209,298	5,987
Total Expenditures	15,986,616	16,184,173	15,965,318	218,855
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,766)	(333,323)	(39,531)	293,792

COSHOCTON CITY SCHOOL DISTRICT, OHIO

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Transfers Out	(23,000)	(23,000)	(22,337)	663
Advances In	0	0	110,355	110,355
Advances Out	<u>(139,307)</u>	<u>(139,307)</u>	<u>(139,307)</u>	<u>0</u>
Total Other Financing Sources (Uses):	<u>(162,307)</u>	<u>(162,307)</u>	<u>(51,289)</u>	<u>111,018</u>
 Net Change in Fund Balance	 (298,073)	 (495,630)	 (90,820)	 404,810
 Fund Balance at Beginning of Year	 1,680,947	 1,680,947	 1,680,947	 0
Prior Year Encumbrances	313,497	313,497	313,497	0
Fund Balance at End of Year	<u>\$ 1,696,371</u>	<u>\$ 1,498,814</u>	<u>\$ 1,903,624</u>	<u>\$ 404,810</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Governmental Activities - Internal Service Funds
Assets:	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 3,888,234
Total Assets	<u>3,888,234</u>
Liabilities:	
<i>Current Liabilities:</i>	
Claims Payable	<u>131,257</u>
Total Liabilities	<u>131,257</u>
Net Assets:	
Unrestricted	<u>3,756,977</u>
Total Net Assets	<u>\$ 3,756,977</u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Governmental Activities - Internal Service Funds
Operating Revenues:	
Other Operating Revenue	\$ 2,703,118
Total Operating Revenues	<u>2,703,118</u>
Operating Expenses:	
Contractual Services	<u>2,593,948</u>
Total Operating Expenses	<u>2,593,948</u>
Change in Net Assets	109,170
Net Assets Beginning of Year	<u>3,647,807</u>
Net Assets End of Year	<u><u>\$ 3,756,977</u></u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2012

	Governmental Activities - Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$2,703,118
Cash Payments for Claims	<u>(2,610,745)</u>
Net Cash Provided by Operating Activities	<u>92,373</u>
Net Increase in Cash and Cash Equivalents	92,373
Cash and Cash Equivalents at Beginning of Year	<u>3,795,861</u>
Cash and Cash Equivalents at End of Year	<u><u>\$3,888,234</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$109,170
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Claims Payable	<u>(16,797)</u>
Total Adjustments	<u>(16,797)</u>
Net Cash Provided by Operating Activities	<u><u>\$92,373</u></u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency Fund Student Activity Fund	Total
Assets:			
Cash and Cash Equivalents	\$ 8,833	\$ 38,667	\$ 47,500
Restricted Assets:			
Investments	348,021	0	348,021
Total Assets	<u>356,854</u>	<u>38,667</u>	<u>395,521</u>
Liabilities:			
Due to Students	0	38,667	38,667
Advances from Other Funds	1,000	0	1,000
Total Liabilities	<u>1,000</u>	<u>38,667</u>	<u>39,667</u>
Net Assets:			
Restricted for Scholarships	355,854	0	355,854
Total Net Assets	<u>\$ 355,854</u>	<u>\$ 0</u>	<u>\$ 355,854</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012***

	<u>Private Purpose Trust</u>
Additions:	
Contributions:	
Private Donations	\$ 500
Total Contributions	<u>500</u>
Investment Earnings:	
Interest	11,322
Net Decrease in the Fair Value of Investments	<u>(10,663)</u>
Total Investment Earnings	<u>659</u>
Total Additions	<u>1,159</u>
Deductions:	
Community Gifts, Awards and Scholarships	<u>21,006</u>
Total Deductions	<u>21,006</u>
Change in Net Assets	(19,847)
Net Assets at Beginning of Year	375,701
Net Assets End of Year	<u>\$ 355,854</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Coshocton City School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 86 noncertified and approximately 155 certified teaching personnel and administrative employees providing education to 1,679 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39 *"Determining Whether Certain Organizations Are Component Units"*, in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has one component unit, the Coshocton Opportunity School (the "Opportunity School").

Coshocton City School District participates in three organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are the Ohio School Board Association Workers' Compensation Group Rating Program, the Coshocton County Joint Vocational School District, Ohio Mid-Eastern Regional Education Service Agency, and the Coshocton County Tax Incentive Review Council. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Discreetly Presented Component Unit - The component unit column on the Financial Statements includes the financial data of the District's component unit. It is reported in a separate column to emphasize that it is legally separate from the District.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Coshocton Opportunity School, Coshocton, Ohio (the "Opportunity School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. It is operated under a contract with the Coshocton City School District to provide a safe and supportive learning environment for non-traditional high school students, where a motivating, standards based curriculum will prepare students for employment and lifelong learning. The focus of the curriculum is to meet the requirements for the passage of the Ohio Graduation Test in the areas of reading, mathematics, writing, social studies, and science, and to meet all other requirements for high school graduation. The Opportunity School cannot borrow money without the consent of the District. Additionally, the Opportunity School provides a benefit to the District as the Opportunity School rents space from the District. Based on this relationship between the District and the Opportunity School, the Opportunity School is reflected as a component unit of the District.

The Treasurer of Coshocton City School District serves as Treasurer of the Opportunity School. The Opportunity School operates on a fiscal year ending June 30. Separately issued financial statements can be obtained by contacting Coshocton Opportunity Schools, 1207 Cambridge Road, Coshocton, Ohio 43812.

The accounting policies and financial reporting practices of the District, including the Opportunity School conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Classroom Facilities Fund - This fund accounts for state grant monies and debt proceeds to be used for the construction of new school facilities.

Proprietary Funds - The proprietary funds are accounted for on an “economic resources” measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The District’s internal service fund accounts for premiums and costs associated with a dental and prescription drug self insurance program.

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District’s own programs. The District’s only trust funds are private purpose trusts that account for scholarship programs, gifts and awards for specific students. State law permits the District to appropriate for purposes consistent with the endowment's intent, net appreciation, both realized and unrealized. The District’s agency fund accounts for various student-managed activity programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The 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 and 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 – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

Fiduciary funds are reported using the economic resources measurement focus.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2012, but which are not intended to finance fiscal 2012 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, private-purpose trust funds and agency funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The District has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its proprietary funds.

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.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. 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 fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the basis of budgeting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the General Fund is required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during fiscal year 2012.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Basis of Budgeting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis (as reported)	\$802,521
Increase (Decrease):	
Accrued Revenues at June 30, 2012, received during FY 2013	(766,186)
Accrued Revenues at June 30, 2011, received during FY 2012	308,574
Accrued Expenditures at June 30, 2012, paid during FY 2013	1,589,593
Accrued Expenditures at June 30, 2011, paid during FY 2012	(1,695,148)
FY 2011 Prepays for FY 2012	5,588
FY 2012 Prepays for FY 2013	(5,763)
Encumbrances Outstanding	(317,305)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(12,694)
Budget Basis	<u><u>(\$90,820)</u></u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2012, cash and cash equivalents included amounts in demand deposits and repurchase agreements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2012 amounted to \$8,083 which includes \$6,083 assigned from other funds.

H. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life threshold of five or more years.

1. Property, Plant and Equipment - Governmental Activities

Governmental Activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Land Improvements	30
Building and Improvements	15-30
Machinery and Equipment	5-15
Vehicles	5

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Capital Leases	General Fund
General Obligation Bonds	Bond Retirement Fund
Compensated Absences	General Fund, Food Services Fund, Federal Grants Fund, Public Preschool Program Fund, Parent Mentor Grant Fund, Title VI-B Fund, Chapter I Fund, Education Jobs Fund

K. Compensated Absences

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” vacation benefits are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method.

Certified employees may earn 15 days of sick leave per year up to a maximum of 240 days. Upon retirement, employees with 10 or more years of service in the Ohio State Teachers Retirement System and 10 or more years of service with the District will receive one-fourth of the accumulated sick leave up to a maximum of 54 days. Upon retirement, employees with 10 or more years of service in the Ohio State Teachers Retirement System but less than 10 years of service with the District will receive one-fourth of the accumulated sick leave up to a maximum of 32 days. Classified employees may earn 15 days of sick leave per year up to a maximum of 220 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 50 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account “Compensated Absences Payable.” For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. In the government-wide statement of net assets, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

M. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

N. Interfund Activity

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

O. Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance (Continued)

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Restricted Assets

Restricted assets represent cash and cash equivalents set aside to establish reserves for capital acquisition. This reserve is required by state statute. In addition, cash with fiscal agent represents a construction retainage account.

Q. Estimates

The preparation of the 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 could differ from those estimates.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service fund self insurance program. Operating expenses are the necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2012.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2012 of \$42,936 in the Education Jobs Fund, \$2,199 in the Public Preschool Program Fund, \$59,448 in the Race to the Top Fund, \$7,117 in the Parent Mentor Grant Fund, \$3,266 in the State Fiscal Stimulus Fund, \$44,520 in the Title VI-B Fund, \$45,734 in the Chapter I Fund, \$480 in the Miscellaneous Federal Grants Fund, and \$4,746 in the Preschool Grant Fund (special revenue funds), arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. Deficits do not exist under the cash basis of accounting.

Compliance - Contrary to Ohio Revised Code Section 5705.41(D), the District did not certify and properly encumber certain expenditures.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012***

NOTE 3 – 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 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 Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	\$5,763	\$0	\$0	\$5,763
Supplies Inventory	0	0	11,170	11,170
Total Nonspendable	<u>5,763</u>	<u>0</u>	<u>11,170</u>	<u>16,933</u>
Restricted:				
Statutory Reserves	55,311	0	0	55,311
Food Service Operations	0	0	130,972	130,972
Extracurricular Activities	0	0	8,859	8,859
Technology Improvements	0	0	28,090	28,090
Nonpublic School Support	0	0	9,698	9,698
Facilities Maintenance	0	0	128,920	128,920
Debt Service Payments	0	0	235,026	235,026
Capital Acquisition and Improvement	0	14,871,163	1,759,245	16,630,408
Other Purposes	0	0	54,209	54,209
Total Restricted	<u>55,311</u>	<u>14,871,163</u>	<u>2,355,019</u>	<u>17,281,493</u>
Assigned to Other Purposes	295,399	0	0	295,399
Unassigned	1,257,780	0	(210,446)	1,047,334
Total Fund Balances	<u>\$1,614,253</u>	<u>\$14,871,163</u>	<u>\$2,155,743</u>	<u>\$18,641,159</u>

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty five percent of the interim monies available for investment at any one time; and
- Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$5,279,344 and the bank balance was \$5,335,578. Federal depository insurance covered \$753,717 of the bank balance and \$4,581,861 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	\$4,581,861
Total Balance	\$4,581,861

At year end, the District had \$75 in undeposited cash on hand which is included in the financial statements as part of "Cash and Cash Equivalents."

B. Investments

The District's investments at June 30, 2012 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
Repurchase Agreements	\$19,457,751	N/A	\$19,457,751	\$0	\$0
Mutual Funds/Stock	291,021	N/A	291,021	0	0
Total Investments	\$19,748,772		\$19,748,772	\$0	\$0

¹ Standard & Poor's

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 40. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$24,680,095	\$348,021
Certificates of Deposit (with maturities of more than 3 months)	57,000	(57,000)
Repurchase Agreements	<u>(19,457,751)</u>	<u>19,457,751</u>
Per GASB Statement No. 3	<u>\$5,279,344</u>	<u>\$19,748,772</u>

D. Component Unit

At year end the carrying amount of the Opportunity School's deposits was \$52,485 and the bank balance was \$55,397. The Federal Deposit Insurance Corporation (FDIC) covered the entire bank balance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

The Opportunity School's Investments at June 30, 2012 were in a repurchase agreement with a fair market value of \$129,436. It has an expected maturity of less than one year. Credit rating is not applicable.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Coshocton City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values upon which the fiscal year 2012 taxes were collected are as follows:

	2011 Second Half Collections	2012 First Half Collections
Agricultural/Residential and Other Real Estate	\$157,708,030	\$157,713,010
Public Utility Personal	7,294,050	7,674,480
Total Assessed Value	<u>\$165,002,080</u>	<u>\$165,387,490</u>
Tax rate per \$1,000 of assessed valuation	\$59.58	\$59.58

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

NOTE 6 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes and intergovernmental receivables.

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Following is a summary of interfund receivables/payables for all funds at June 30, 2012:

	Interfund Loan Receivable	Interfund Loan Payable	Advances to Other Funds	Advances from Other Fund
General Fund	\$303,577	\$0	\$1,000	\$0
Other Governmental Funds	0	303,577	0	0
Private Purpose Trust Fund	0	0	0	1,000
Totals	<u>\$303,577</u>	<u>\$303,577</u>	<u>\$1,000</u>	<u>\$1,000</u>

The Interfund Loans are short-term loans to prevent a temporary cash deficit. The Advances are long term loans.

Following is a summary of transfers in and out for all funds for the fiscal year 2012:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$22,337
Other Governmental Funds	22,337	0
Total All Funds	<u>\$22,337</u>	<u>\$22,337</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; to transfer capital assets; and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers made in 2012 were allowable under Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

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COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2012:

Historical Cost:

Class	June 30, 2011	Additions	Deletions	June 30, 2012
Capital assets not being depreciated:				
Land	\$686,524	\$0	\$0	\$686,524
Construction in Progress	974,011	3,782,737	0	4,756,748
	<u>1,660,535</u>	<u>3,782,737</u>	<u>0</u>	<u>5,443,272</u>
Capital assets being depreciated:				
Land Improvements	89,337	0	0	89,337
Buildings and Improvements	9,803,671	63,241	0	9,866,912
Machinery and Equipment	3,680,183	99,362	(150,000)	3,629,545
Vehicles	757,404	0	(48,339)	709,065
Total Cost	<u>\$15,991,130</u>	<u>\$3,945,340</u>	<u>(\$198,339)</u>	<u>\$19,738,131</u>
Accumulated Depreciation:				
Class	June 30, 2011	Additions	Deletions	June 30, 2012
Land Improvements	(\$26,904)	(\$5,206)	\$0	(\$32,110)
Buildings and Improvements	(6,981,955)	(141,175)	0	(7,123,130)
Machinery and Equipment	(2,969,975)	(67,081)	0	(3,037,056)
Vehicles	(331,304)	(37,747)	48,339	(320,712)
Total Depreciation	<u>(\$10,310,138)</u>	<u>(\$251,209) *</u>	<u>\$48,339</u>	<u>(\$10,513,008)</u>
Net Value:	<u>\$5,680,992</u>			<u>\$9,225,123</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$220,225
Support Services:	
Pupils	4,758
Administration	3,276
Fiscal Services	413
Operations & Maintenance of Plant	13,411
Transportation	1,613
Operation of Non-Instructional	
Food Service Operations	4,514
Extracurricular Activities	2,999
Total Depreciation Expense	<u>\$251,209</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 8 - CAPITAL ASSETS (Continued)

B. Component Unit Capital Assets

Summary by Category at June 30, 2012:

<u>Class</u>	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Furniture and Equipment	\$159,049	\$7,959	\$0	\$167,008
Accumulated Depreciation	(109,312)	(29,360)	0	(138,672)
<i>Net Value:</i>	<u>\$49,737</u>	<u>(\$21,401)</u>	<u>\$0</u>	<u>\$28,336</u>

NOTE 9- DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$278,391, \$248,476 and \$244,675 respectively, which were equal to the required contributions for each year.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan.

In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 9- DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,123,122, \$1,094,340, and \$998,032 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2012 were \$17,013 made by the District and \$12,152 made by the plan members.

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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program.

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

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth by Ohio Revised Code 3309.69. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website, www.ohsers.org under Employers/Audit Resources.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% 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. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$47,659, \$64,938, and \$43,280 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$16,440, \$15,990, and \$14,550 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$86,394, \$84,180, and \$76,772 respectively; which were equal to the required contributions for each year.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012***

NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in long term debt of the District for the year ended June 30, 2012 is as follows:

		Balance			Balance	Amount Due
		June 30, 2011	Additions	Deductions	June 30, 2012	Within One Year
Governmental Activities:						
General Obligation Bonds:						
School Construction	2.00 - 6.27%	\$9,445,000	\$0	(\$245,000)	\$9,200,000	\$290,000
Energy Conservation	2.97%	0	448,691	0	448,691	0
Bond Premium		190,709	0	(5,960)	184,749	0
Interest Accretion		8,814	13,708	0	22,522	0
Total General Obligation Bonds		9,644,523	462,399	(250,960)	9,855,962	290,000
Capital Leases Payable		137,058	0	(36,237)	100,821	35,630
Compensated Absences		1,573,264	277,331	(239,017)	1,611,578	193,432
Total Governmental Activities		\$11,354,845	\$739,730	(\$526,214)	\$11,568,361	\$519,062

In fiscal year 2011 the District issued General Obligation Bonds in the amount of \$9,445,000 (School Improvement Bonds, Series 2010) to finance the construction of a new elementary school building. In fiscal year 2012 the District issued General Obligation Bonds in the amount of \$448,691 (Energy Conservation Improvement Bonds, Series 2012) to finance the installation, modification and remodeling of school buildings to conserve energy. Payments of principal and interest on the bonds are recorded as expenditures in the debt service fund (a nonmajor governmental fund).

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2012 follows:

Years	General Obligation Bond	
	Principal	Interest
2013	\$290,000	\$500,570
2014	333,691	491,218
2015	25,000	485,845
2016	26,000	485,088
2017	26,000	484,316
2018-2022	145,000	2,409,179
2023-2027	4,417,000	2,277,825
2028-2032	576,000	1,801,713
2033-2037	1,250,000	976,749
2038-2042	1,505,000	565,952
2043-2045	1,055,000	100,725
Totals	\$9,648,691	\$10,579,180

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 12 - CAPITALIZED LEASES

The District leases several copiers and network machines under capital leases. The cost of the equipment obtained under capital lease is included in the Governmental Activities Capital Assets and the related liability included in the Governmental Activities Other Long-Term Obligations. The original cost of the assets under capital lease was \$172,205.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2012:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2013	\$45,115
2014	45,115
2015	<u>26,317</u>
Minimum Lease Payments	116,547
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(15,726)</u>
Present Value of minimum lease payments	<u><u>\$100,821</u></u>

NOTE 13 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2012, the reserve activity (cash-basis) was as follows:

	<u>Capital Acquisition Reserve</u>
Set-aside Cash Balance as of June 30, 2011	<u>\$157,920</u>
Current Year Set-Aside Requirement	293,410
Current Year Offset Credits	(218,408)
Qualifying Disbursements	(146,086)
Expenditure of Bond Proceeds for Classroom Facilities	<u>(31,525)</u>
Total	<u><u>55,311</u></u>
Set-aside Reserve Balance June 30, 2012	<u><u>55,311</u></u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 14- RISK MANAGEMENT

A. Insurance Purchasing Pool

Sheakley Uniserve Workers' Compensation Group Rating Program - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-elect and the Immediate Past President of the OSBA. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

B. Other Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2012 the District contracted for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Ohio School Plan	Automobile	\$250 Comprehensive; \$500 Collision
Ohio School Plan	Buildings and Contents	\$1,000
Ohio School Plan	Inland Marine Coverage	\$1,000
Ohio School Plan	Boiler and Machinery	\$1,000
Ohio School Plan	Professional Liability	\$2,500

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District also provides life insurance and accidental death and dismemberment insurance to employees through Medical Mutual Insurance Company in the amount of \$20,000 for certified employees, \$20,000 for classified employees working 25 hours or less per week, and \$25,000 for classified employees working more than 25 hours per week.

The District also maintains a limited risk comprehensive health, dental and prescription insurance program for employees. Premiums are paid to a third party administrator, Medical Mutual Insurance Company. The claims are processed by the third party administrator and monitored by the District in conjunction with the third party administrator. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. The outstanding claims at June 30, 2012, for the dental and prescription self-insurance programs amounted to \$131,257.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

NOTE 14 - RISK MANAGEMENT (Continued)

B. Other Insurance (Continued)

The agreement with Medical Mutual Insurance Company requires either party to provide 90 days advance notice to terminate the relationship. Upon termination of the agreement with Medical Mutual Insurance Company shall furnish claims payment services to those claims for which it had received complete information prior to the termination date and at the same charges as were in effect under the agreement unless the School District notifies Medical Mutual Insurance Company in writing at the time of such termination that such services are not required by the District.

Upon termination Medical Mutual Insurance Company shall forward to the School District such claims file and other records as the School District may reasonably require for the administration of the Plan or any plan adopted in its place.

The claims liability of \$131,257 reported in the fund at June 30, 2012 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in fiscal 2012 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2011	\$ 333,769	\$ 2,398,598	\$ (2,584,313)	\$ 148,054
2012	148,054	2,593,948	(2,610,745)	131,257

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Coshocton County Joint Vocational School District

The Coshocton County Joint Vocational School is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The Coshocton City School District students may attend the Joint Vocational School. Each participating School District's control is limited to its representation on the Joint Vocational School Board of Education. During fiscal year 2012, no monies were paid to the Joint Vocational School from the Coshocton City School District.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

The OME-RESA is one of twenty-two regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio School Districts. Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by forty-seven member school districts in eleven different Ohio counties. The member school districts are comprised of public school districts and educational service centers. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located in the Jefferson County School building in Steubenville, Ohio. The Jefferson County School is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA. During fiscal year 2012, \$69,754 was paid to OME-RESA for various services.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Coshocton County Tax Incentive Review Council

The Coshocton County Tax Incentive Review Council (CCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to state statute. CCTIRC has 19 members, consisting of three members appointed by the County Commissioners, three members appointed by municipal corporations, eight members appointed by township trustees, one member from the county auditor's office and four members appointed by boards of education located within the county. CCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the CCTIRC is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2012 no monies were paid to the CCTIRC.

The School District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

NOTE 16 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District receives financial assistance from federal and state 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 agreement 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 adverse effect on the overall financial position of the District at June 30, 2012.

B. Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2012.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 17 – SIGNIFICANT COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At June 30, 2012 the District had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$269,058
Classroom Facilities Fund	276,489
Other Governmental Funds	87,136
Total Governmental Funds	<u>\$632,683</u>

As of June 30, 2012 the District had the following commitments with respect to capital projects:

<u>Capital Project</u>	<u>Amount Remaining</u>	<u>Estimated Date of Completion</u>
Elementary School Construction	\$20,250,863	October 2013

NOTE 18 – RELATED PARTY TRANSACTIONS

A. Operating Lease Agreement

The Opportunity School leases portions of a building from the District. The lease was entered into on July 1, 2009 and ended on June 30, 2012. The Opportunity School annually pays the District \$1,800 per student in equal monthly installments. For fiscal year 2012 the Opportunity School paid the District a total of \$110,400.

A new lease was entered into on July 1, 2012 and ends on June 30, 2015. The Opportunity School will pay the District \$1,800 per student in equal monthly installments.

B. Service Agreement

In fiscal year 2012 the Opportunity School paid the District \$304,087 for services provided by the District to the Opportunity School. In addition, at fiscal year end, the Opportunity School had an outstanding payable of \$16,001 to the District for services provided.

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>Pass Through Grantor Number</u>	<u>FEDERAL CFDA NUMBER</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>EXPENDITURES</u>	<u>NON-CASH EXPENDITURES</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies	C1-S1 2011	84.010	91,719		127,431	
Title I Grants to Local Educational Agencies	C1-S1 2012	84.010	443,483		489,410	
Total Title I, Part A Cluster			535,202		616,841	
Special Education Cluster (IDEA):						
Special Education Grants to States	6B-SF 2011	84.027	86,051		28,539	
Special Education Grants to States	6B-SF 2012	84.027	398,654		382,785	
Special Education, Preschool Grants	6B-SF 2011	84.173	6,041		8,970	
Special Education, Preschool Grants	6B-SF 2012	84.173	11,465		12,107	
Total Special Education Cluster (IDEA):			502,211		432,401	
Ed Jobs						
		84.410	361,948		389,146	
OPAC - Race to the Top						
	2011	84.395	23,471		18,182	
	2011	84.395	43,978		48,864	
Race to the Top	2012	84.395	29,759		32,766	
Total Race to the Top Grant			97,208		99,812	
Rural Education						
	2012	84.358	8,701		7,262	
ARRA - Teacher Incentive Program						
OTIF	2011	84.385	52,690		35,601	
TIF Yr #2	2011	84.385	8,569		8,569	
Total Teacher Incentive Program			50,276		50,276	
			111,535		94,446	
Education Technology State Cluster:						
Education Technology State Grants	TJ-S1-2011	84.318	315		0	
Education Technology State Grants	TJ-S1-2012	84.318	157		157	
Total Education Technology State Cluster			472		157	
Improving Teacher Quality State Grants Program:						
Improving Teacher Quality State Grants	TR-S1-2011	84.367	6,769		13,311	
Improving Teacher Quality State Grants	TR-S1-2012	84.367	63,940		55,348	
Total Improving Teacher Quality State Grants			70,709		68,659	
Total U.S. Department of Education						
			1,687,986		1,708,724	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Program):						
National School Lunch Program	N/A	10.555		\$27,036		\$27,036
Cash Assistance:						
National School Breakfast Program	N/A	10.553	132,618		132,618	
National School Lunch Program	N/A	10.555	472,742		472,742	
Total Child Nutrition Cluster			605,360		605,360	27,036
Fresh Fruit and Vegetable Program						
	N/A	10.582	8,379		8,379	
Total U.S. Department of Agriculture						
			613,739	27,036	613,739	27,036
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>(Passed Through Coshocton County Job and Family Services)</i>						
Temporary Assistance for Needy Families Cluster						
	N/A	93.558	3,200		0	
Community Alternative Funding System						
	N/A	93.778	57,349		0	
Total U.S. Department of Health and Human Services						
			60,549		0	
Total						
			\$2,362,274	\$27,036	\$2,322,463	\$27,036

See Accompanying Notes to the Federal Awards Receipts and Expenditures Schedule.

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION DISTRIBUTION

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



Dave Yost • Auditor of State

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

Coshocton City School District
Coshocton County
1207 Cambridge Road
Coshocton, Ohio 43812

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Coshocton City School District, Coshocton County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2013. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-002 described in the accompanying Schedule of Findings to be a material weakness.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2012-001.

Also, we noted certain matters not requiring inclusion in this report that we reported to Coshocton City School District's management in a separate letter dated February 19, 2013.

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

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



Dave Yost
Auditor of State

February 19, 2013



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

Coshocton City School District
Coshocton County
1207 Cambridge Road
Coshocton, Ohio 43812

To the Board of Education:

Compliance

We have audited the compliance of Coshocton City School District, Coshocton 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 Coshocton City School District's major federal programs for the year ended June 30, 2012. 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.

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

In our opinion, Coshocton City School District, Coshocton County, Ohio 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, 2012.

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 also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 19, 2013.

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.



Dave Yost
Auditor of State

February 19, 2013

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010 Education Jobs – CFDA #84.410 Child Nutrition Cluster – CFDA #10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

1. Ohio Rev. Code Section 5705.41(D)

<i>Finding Number</i>	2012-001
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Treasurer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s Treasurer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Treasurer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” Certificate – If the Treasurer can certify that both at the time that the contract or order was made (“then”), and at the time that the Treasurer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Treasurer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Treasurers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Ohio Rev. Code Section 5705.41(D) (Continued)

<i>Finding Number</i>	2012-001
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During fiscal year 2012, 12 of the 41 (29%) expenditures tested were not certified by the Treasurer prior to incurring the obligation. None of them had evidence of the above mentioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance. In addition, we noted the Board did not establish an amount by which blanket purchase orders may be written for, against any specific line item account over a period not running beyond the end of the current fiscal year.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursement and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

The Treasurer should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The Treasurer should also sign the certification prior to the District incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. Additionally, the Board should approve all "Then and Now" transactions exceeding \$3,000 by resolution and establish a maximum amount for blanket certificates.

Official's Response:

2. Financial Reporting

<i>Finding Number</i>	2012-002
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MATERIAL WEAKNESS

As a result of audit procedures performed, errors were noted in the District's financial statements and GAAP conversion that required audit adjustments and reclassifications as follows:

- Contracts Payable was understated by \$861,081 in the Classroom Facilities Fund;
- Construction in Progress reported within Non-Depreciable Capital Assets was understated by \$907,407;
- \$1,071,942 in State restricted monies received for Special Education was incorrectly classified as Intergovernmental, Unrestricted instead of as Operating Grants and Contributions on the Statement of Activities.

Financial Reporting (Continued)

<i>Finding Number</i>	2012-002
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Sound financial reporting is the responsibility of the Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board, to identify and correct errors and omissions.

The financial statements have been adjusted accordingly.

Official's Response:

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code 5705.412 – The District did not issue 412 certificates for qualifying contracts	Yes	Finding No Longer Valid
2011-002	Ohio Rev. ^{Code 5705.41(D)} – The District did certify transactions prior to obligation.	No	Not corrected, See Schedule of Findings 2012-001.
2011-003	Governmental Accounting Standards Board Statements 14 and 39 – The District did not report their Component Unit's financial statements.	Yes	Finding No Longer Valid
2011-004	Financial Reporting - The District had material classifications errors and several audit adjustments	No	Not corrected, See Schedule of Findings 2012-002.
2011-005	Office of Management and Budget (OMB) Circular A-133, Section .310 (b) – The District excluded certain Federal programs from reporting on the Federal Awards Receipts and Expenditures Schedule	Yes	Finding No Longer Valid

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Dave Yost • Auditor of State

COSHOCTON CITY SCHOOL DISTRICT

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2013**