

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

Single Audit

For the Fiscal Year Ended June 30, 2011





Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Reynoldsburg City School District, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

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

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Dave Yost
Auditor of State

January 9, 2012

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**REYNOLDSBURG CITY SCHOOL DISTRICT.
FRANKLIN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Reynoldsburg City School District
Franklin County
7244 East Main Street
Reynoldsburg, Ohio 43068

To the Board of Education:

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

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2.C, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, Ohio, as of June 30, 2011, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2.C describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011, 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 did 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 School's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relate 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.

A handwritten signature in cursive script that reads "Kennedy Cottrell Richards LLC".

Kennedy Cottrell Richards LLC

December 19, 2011

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

This discussion and analysis of the Reynoldsburg City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2011, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year are as follows:

- Net Assets of the District's decreased by approximately \$24.5 million, or 29.8%, in comparison with the prior fiscal year. The funds most affected by the decrease in cash and cash equivalents were the Building Fund and Classroom Facilities Fund related to building construction.
- The District's general receipts are primarily property taxes and unrestricted grants and entitlements. These receipts represent respectively 33 and 34 percent of the total cash received for Governmental activities during the year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was approximately \$4.2 million.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the modified cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the District-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on the modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

As a result of using the modified cash basis of accounting, certain noncash assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during the fiscal year, within the limitations of the modified cash basis accounting. The statement of net assets presents the cash balances and investments of the Governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each Governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, all of the District's activities are classified as Governmental. The Governmental activities of the District include instruction, support services, extracurricular activities, food service, facilities acquisition and construction, and other non-instructional services. State and federal grants and income and property taxes finance most of these activities. Benefits provided through Governmental activities are not necessarily paid for by the people receiving them.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The District's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major Governmental funds are the General Fund, Debt Service Fund, Building Fund, and Classroom Facilities Fund. The programs reported in Governmental funds are closely related to those reported in the Governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the Governmental fund financial statements.

Proprietary Funds – When the District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The District has no enterprise funds. When the services are provided to other departments of the District, the service is reported as an internal service fund. The District has one internal service fund to account for self-insurance activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the District-wide financial statements because the resources of these funds are not available to support the District's programs.

District-wide Financial Analysis

The table below provides a summary of the District's net assets for 2011 and 2010 on the modified cash basis.

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets			
Cash and Investments	\$ 57,692,415	\$ 82,206,340	-29.82%
Total Assets	<u>57,692,415</u>	<u>82,206,340</u>	-29.82%
Net Assets			
Restricted	52,088,935	76,738,033	-32.12%
Unrestricted	5,603,480	5,468,307	2.47%
Total Net Assets	<u>\$ 57,692,415</u>	<u>\$ 82,206,340</u>	-29.82%

The significant decrease in cash and investments and restricted net assets is primarily the result of the District's school building construction and renovation project through the Ohio School Facilities Commission (OSFC).

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The table below shows the change in net assets on the modified cash basis for fiscal years 2011 and 2010.

	<u>2011</u>	<u>2010</u>	<u>Percent Change</u>
Program Receipts			
Charges for Services and Sales	\$ 2,448,717	\$ 2,439,450	0.38%
Operating Grants and Contributions	7,932,918	7,881,151	0.66%
General Receipts			
Property Taxes	28,783,206	26,410,322	8.98%
Income Taxes	4,163,559	3,779,420	10.16%
Payment in Lieu of Taxes	1,269,124	1,483,796	-14.47%
Grants and Entitlements	29,284,581	30,114,061	-2.75%
Restricted Grants and Entitlements for OSFC	12,274,871	38,249,508	-67.91%
Investment Earnings	254,916	776,535	-67.17%
Other	677,150	268,459	152.24%
Total Receipts	<u>87,089,042</u>	<u>111,402,702</u>	-21.83%
Program Disbursements			
Instructional	35,818,842	34,995,158	2.35%
Support Services	21,520,812	24,269,499	-11.33%
Non-instructional	2,652,002	2,110,086	25.68%
Extra Curricular Activities	998,484	1,038,328	-3.84%
Facilities Acquisition and Construction	41,774,243	21,934,641	90.45%
Principal	3,630,000	3,700,448	-1.90%
Interest and Fiscal Charges	5,208,584	5,287,057	-1.48%
Total Disbursements	<u>111,602,967</u>	<u>93,335,217</u>	19.57%
Change in Net Assets	<u>(24,513,925)</u>	<u>18,067,485</u>	
Net Assets at Beginning of Year, Restated	<u>82,206,340</u>	<u>64,138,855</u>	
Net Assets at End of Year	<u>\$ 57,692,415</u>	<u>\$ 82,206,340</u>	

The significant decrease in Restricted Grants and Entitlements for OSFC receipts is the result of the District exhausting grant resources related to the OSFC Project. The Classroom Facilities Assistance Program through OSFC requires the state share of the project be expended first, followed by the District's local share of the project.

The significant increase in Facilities Acquisition and Construction disbursements is the result of increased construction related to the District's OSFC project.

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

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for Governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	<u>Total Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2011</u>	<u>Net Cost of Services 2010</u>
Program expenses				
Instructional	\$ 35,818,842	\$ 34,995,158	\$ 30,451,546	\$ 29,926,165
Support Services	21,520,812	24,269,499	20,078,168	22,317,666
Non-instructional	2,652,002	2,110,086	(83,288)	(417,668)
Extra Curricular Activities	998,484	1,038,328	162,079	266,307
Facilities Acquisition and Construction	41,774,243	21,934,641	41,774,243	21,934,641
Principal	3,630,000	3,700,448	3,630,000	3,700,448
Interest and Fiscal Charges	5,208,584	5,287,057	5,208,584	5,287,057
Total	<u>\$ 111,602,967</u>	<u>\$ 93,335,217</u>	<u>\$ 101,221,332</u>	<u>\$ 83,014,616</u>

The dependence upon tax and other general revenues is apparent, as 85.0 percent of instructional activities are supported through taxes and other general revenues. For all Governmental activities, general revenue support is 90.7 percent. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District's students.

The District's Funds

The District's Governmental funds reported a combined fund balance of approximately \$57 million.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	<u>Fund Balance June 30, 2011</u>	<u>Restated Fund Balance June 30, 2010</u>	<u>Increase/ (Decrease)</u>
Major Funds:			
General	\$ 4,890,959	\$ 1,730,100	\$ 3,160,859
Debt Service	3,184,043	2,606,906	577,137
Building	17,328,111	23,710,072	(6,381,961)
Classroom Facilities	27,530,153	50,229,388	(22,699,235)
Other Governmental Funds	3,990,157	3,009,027	981,130
Total	<u>\$ 56,923,423</u>	<u>\$ 81,285,493</u>	<u>\$ (24,362,070)</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

General Fund

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

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
<u>Receipts:</u>			
Taxes	\$ 23,302,185	\$ 20,533,805	13.48%
Payment in Lieu of Taxes	1,269,124	1,483,796	-14.47%
Charges for Services	389,755	-	0.00%
Tuition and Fees	692,226	778,882	-11.13%
Earnings on Investments	34,922	22,622	54.37%
Intergovernmental	28,037,742	28,745,521	-2.46%
Extracurricular	70,913	13,112	440.83%
Other	268,340	272,440	-1.50%
Total Receipts	<u>54,065,207</u>	<u>51,850,178</u>	4.27%
<u>Disbursements:</u>			
Instruction	30,959,271	31,269,577	-0.99%
Support Services	19,503,540	21,605,173	-9.73%
Other Non-Instructional Services	13,822	-	100.00%
Extracurricular Activities	241,530	271,690	-11.10%
Debt Service	-	29,952	-100.00%
Total Disbursements	<u>50,718,163</u>	<u>53,176,392</u>	-4.62%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>3,347,044</u>	<u>(1,326,214)</u>	-352.38%
<u>Other Financing Sources:</u>			
Sale of Capital Assets	9,242	115	7936.52%
Transfer In/Out	(22,917)	(14,714)	55.75%
Advance In/Out	(172,510)	(7,245)	2281.09%
Net Change in Fund Balance	<u>\$ 3,160,859</u>	<u>\$ (1,348,058)</u>	-334.48%

The significant increase in taxes is the result of the District passing a 6.9 mill incremental operating levy in May 2010. The levy will increase by 1 mill each year until it reaches 9.9 mills.

The most significant changes in disbursements were decreases in support services and extracurricular activities. These decreases were primarily the result of reductions in staffing during fiscal year 2011. A decrease in foundation settlement deductions for pupil services also contributed to the decrease in support services.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Debt Service Fund

During the fiscal year, the District's debt service fund balance increased by \$577,137. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
<u>Receipts</u>			
Taxes	\$ 8,395,095	\$ 8,800,367	-4.61%
Intergovernmental	1,135,071	1,183,708	-4.11%
Total Receipts	<u>9,530,166</u>	<u>9,984,075</u>	-4.55%
<u>Disbursements:</u>			
Fiscal	114,445	119,267	-4.04%
Debt Service:			
Principal Retirement	3,630,000	3,615,000	0.41%
Interest and Fiscal Charges	5,208,584	5,275,356	-1.27%
Total Disbursements	<u>8,953,029</u>	<u>9,009,623</u>	-0.63%
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>577,137</u>	<u>974,452</u>	-40.77%
Net Change in Fund Balance	<u>\$ 577,137</u>	<u>\$ 974,452</u>	-40.77%

This increase in fund balance represents the amount in which property tax and related receipts outstripped debt service disbursements during the fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Building Fund

During the fiscal year, the District's building fund balance decreased approximately \$6.4 million. The table that follows assists in illustrating the financial activities of the building fund:

	2011	2010	Percentage Change
<u>Receipts:</u>			
Earnings on Investments	\$ 85,157	\$ 331,825	-74.34%
Other Local Revenues	10,136	-	
Total Receipts	<u>95,293</u>	<u>331,825</u>	-71.28%
<u>Disbursements:</u>			
Fiscal	26,623	26,109	0.00%
Business	47,968	-	0.00%
Facilities Acquisition and Construction	6,402,663	3,074,937	108.22%
Total Disbursements	<u>6,477,254</u>	<u>3,101,046</u>	108.87%
Deficiency of Receipts Under Disbursements	<u>(6,381,961)</u>	<u>(2,769,221)</u>	130.46%
<u>Other Financing Sources:</u>			
Sale of Capital Assets	-	1,269	100.00%
Total Other Financing Sources	<u>-</u>	<u>1,269</u>	100.00%
Net Change in Fund Balance	<u>\$ (6,381,961)</u>	<u>\$ (2,767,952)</u>	130.57%

The significant decrease in fund balance represents the amount in which expenditures for construction exceeded earnings on investments during the fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Classroom Facilities Fund

During the fiscal year, the District's classroom facilities fund balance increased approximately \$22.7 million. The table that follows assists in illustrating the financial activities of the classroom facilities fund:

	2011 Amount	2010 Amount	Percentage Change
<u>Receipts:</u>			
Earnings on Investments	\$ 134,004	\$ 421,881	-68.24%
Other Local	2,127	-	0.00%
Intergovernmental - State	12,274,871	38,249,508	-67.91%
Total Receipts	<u>12,411,002</u>	<u>38,671,389</u>	-67.91%
<u>Disbursements:</u>			
Fiscal	35,740	32,584	100.00%
Facilities Acquisition and Construction	35,324,085	18,847,703	87.42%
Total Disbursements	<u>35,359,825</u>	<u>18,880,287</u>	87.28%
Excess of Receipts Over Disbursements	<u>(22,948,823)</u>	<u>19,791,102</u>	-215.96%
<u>Other Financing Sources:</u>			
Sale of Capital Assets	-	1,628	100.00%
Insurance Proceeds	249,588	-	
Total Other Financing Sources	<u>249,588</u>	<u>1,628</u>	100.00%
Net Change in Fund Balance	<u>\$ (22,699,235)</u>	<u>\$ 19,792,730</u>	-214.68%

This significant decrease in fund balance represents the amount in which construction disbursements exceeded OSFC grant receipts during the fiscal year.

General Fund Budgetary Highlights

Original and final budgeted receipts and other financing sources were approximately \$53.8 million. The variance between final budgeted receipts and other financing sources and actual receipts and other financing sources was insignificant.

Original appropriations (appropriated expenditures plus other financing uses) of approximately \$52.5 million were increased to approximately \$52.8 million in the final budget. The actual budget basis expenditures and other financing uses totaled approximately \$51.3 million, which was approximately \$1.4 million less than the final budget appropriations.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Debt

At the end of the fiscal year, the District had total long-term debt outstanding of approximately \$111.2 million, a decrease of approximately \$3.1 million in comparison with the prior fiscal year. This decrease is the result of current year principal payments of \$3.6 million, offset by current year accretion and amortization of \$573,106.

More detailed information can be found in Notes 11 to the basic financial statements.

Component Units

The District's financial statements also contain two cash-basis component units. More detailed information regarding component units can be found in the notes to the basic financial statements.

Current Related Financial Activities

As with many districts, the District has struggled financially over the last few years. Prior to fiscal year 2011, the District made \$20 million in cuts. Despite passing an operating levy in May 2010, the District made additional cuts and all staff took a salary freeze in fiscal year 2011 to help stabilize the budget.

The District passed a 6.9 mill incremental operating levy in May 2010. The levy will increase by 1 mill each year until it reaches 9.9 mills. The levy has provided short-term stabilization to District's budget, however any reduction in State funding will erode the benefits of this levy.

Despite these challenges, the District is committed to delivering an innovative, high quality education to all students. The District routinely earns high ratings on the Ohio Department of Education report card, and students achieve at high levels.

Contacting the District's Financial Management

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AS OF JUNE 30, 2011

	Primary Government	Component Units	
	Governmental Activities	Virtual Community School	Reynoldsburg Conversion Community School
Assets			
Cash and Cash Equivalents	\$ 57,667,415	\$ 369,285	\$ 153,562
Investments	25,000	-	-
Total Assets	<u>57,692,415</u>	<u>369,285</u>	<u>153,562</u>
Net Assets			
Restricted for:			
Library Support Endowment	25,000	-	-
Debt Service	3,184,043	-	-
Capital Projects	46,918,234	-	-
Food Service	396,982	5,015	-
Locally Funded Programs	300,944	-	-
Student Activities	53,993	-	-
State Funded Programs	62,890	27	-
Federally Funded Programs	314,231	56,804	1,444
Classroom Facilities Maintenance	832,618	-	-
Unrestricted	5,603,480	307,439	152,118
Total Net Assets	<u>\$ 57,692,415</u>	<u>\$ 369,285</u>	<u>\$ 153,562</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Program Receipts			Primary Government
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 27,968,362	\$ 586,112	\$ 1,492,654	\$ (25,889,596)
Special	7,073,966	133,489	2,912,703	(4,027,774)
Vocational	113,406	2,291	89,615	(21,500)
Adult/continuing	53,235	53,234	-	(1)
Other	609,873	10,460	86,738	(512,675)
Support services:				
Pupils	2,866,878	-	251,789	(2,615,089)
Instructional staff	2,846,439	21,656	642,120	(2,182,663)
Board of education	39,993	-	-	(39,993)
Administration	5,627,427	48,133	-	(5,579,294)
Fiscal	1,167,300	-	-	(1,167,300)
Business	581,237	-	-	(581,237)
Operations and maintenance	5,036,637	-	318,667	(4,717,970)
Pupil transportation	2,548,202	-	7,864	(2,540,338)
Central	806,699	-	152,415	(654,284)
Operation of non-instructional services:				
Food service operations	2,282,287	907,024	1,473,685	98,422
Other non-operational services	369,715	-	354,581	(15,134)
Extracurricular activities	998,484	686,318	150,087	(162,079)
Facilities acquisition and construction	41,774,243	-	-	(41,774,243)
Debt Service				
Principal	3,630,000	-	-	(3,630,000)
Interest and fiscal charges	5,208,584	-	-	(5,208,584)
Total Governmental Activities	<u>111,602,967</u>	<u>2,448,717</u>	<u>7,932,918</u>	<u>(101,221,332)</u>
Component Units				
Virtual Community School of Ohio	12,554,693	293,888	11,764,639	-
Reynoldsburg Conversion Community School	574,228	16,502	711,288	-
Total Component Units	<u>\$ 13,128,921</u>	<u>\$ 310,390</u>	<u>\$ 12,475,927</u>	<u>-</u>

General Receipts

Property taxes levied for:	
General purposes	19,138,626
Debt service	8,395,095
Capital projects	863,801
Special revenue	385,684
Income taxes	4,163,559
Payment in lieu of taxes	1,269,124
Unrestricted grants and entitlements	29,284,581
Grants & entitlements restricted for	
Ohio School Facilities Commission	12,274,871
Investment earnings	254,916
Miscellaneous	677,150
Total General Receipts	<u>76,707,407</u>
Change in Net Assets	<u>(24,513,925)</u>
Net Assets Beginning of Year, Restated	82,206,340
Net Assets End of Year	<u>\$ 57,692,415</u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

BALANCE SHEET- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011

	General Fund	Debt Service Fund	Building Fund	Classroom Facilities Fund
Assets:				
Cash and Cash Equivalents	\$ 4,890,959	\$ 3,184,043	\$ 17,328,111	\$ 27,530,153
Investments	-	-	-	-
Total Assets	<u>\$ 4,890,959</u>	<u>\$ 3,184,043</u>	<u>\$ 17,328,111</u>	<u>\$ 27,530,153</u>
Fund Balances:				
Restricted for:				
Library Support Endowment	-	-	-	-
Debt Service	-	3,184,043	-	-
Capital Projects	-	-	17,328,111	27,530,153
Food Service	-	-	-	-
Locally Funded Programs	15,821	-	-	-
Student Activities	-	-	-	-
State Funded Programs	-	-	-	-
Federally Funded Programs	-	-	-	-
Classroom Facilities Maintenance	-	-	-	-
Assigned for:				
Public School Support	135,010	-	-	-
Encumbrances	557,121	-	-	-
Capital Projects	-	-	-	-
Unassigned	4,183,007	-	-	-
Total Fund Balances	<u>4,890,959</u>	<u>3,184,043</u>	<u>17,328,111</u>	<u>27,530,153</u>
Total Fund Balances	<u>\$ 4,890,959</u>	<u>\$ 3,184,043</u>	<u>\$ 17,328,111</u>	<u>\$ 27,530,153</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 3,965,157	\$ 56,898,423
25,000	25,000
<u>\$ 3,990,157</u>	<u>\$ 56,923,423</u>
25,000	25,000
-	3,184,043
2,059,970	46,918,234
396,982	396,982
285,123	300,944
53,993	53,993
64,024	64,024
313,097	313,097
832,618	832,618
-	135,010
-	557,121
32,878	32,878
(73,528)	4,109,479
<u>3,990,157</u>	<u>56,923,423</u>
<u>\$ 3,990,157</u>	<u>\$ 56,923,423</u>

See accompanying notes to the basic financial statements.

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**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS
JUNE 30, 2011

Total Governmental Fund Balances	\$ 56,923,423
Internal service funds are used by management to charge the cost of insurance to individual funds. The assets of the internal service funds are included in governmental activities on the statement of net assets	<u>768,992</u>
Net Assets of Governmental Activities	<u><u>\$ 57,692,415</u></u>

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Debt Service Fund	Building Fund	Classroom Facilities Fund
Receipts:				
From local sources:				
Property Taxes	\$ 19,138,626	\$ 8,395,095	\$ -	\$ -
Income Taxes	4,163,559	-	-	-
Tuition and Fees	692,226	-	-	-
Charges for services	389,755	-	-	-
Earnings on investments	34,922	-	85,157	134,004
Extracurricular	70,913	-	-	-
Payments in lieu of taxes	1,269,124	-	-	-
Other local revenues	268,340	-	10,136	2,127
Intergovernmental- State	27,716,119	1,135,071	-	12,274,871
Intergovernmental- Federal	321,623	-	-	-
Total Receipts	<u>54,065,207</u>	<u>9,530,166</u>	<u>95,293</u>	<u>12,411,002</u>
Disbursements:				
Instruction:				
Regular	26,209,689	-	-	-
Special	4,066,046	-	-	-
Vocational	113,289	-	-	-
Adult/continuing	53,140	-	-	-
Other	517,107	-	-	-
Support services:				
Pupils	2,608,969	-	-	-
Instructional staff	2,156,083	-	-	-
Board of education	39,993	-	-	-
Administration	5,599,104	-	-	-
Fiscal	953,973	114,445	26,623	35,740
Business	464,913	-	47,968	-
Operations and maintenance	4,494,753	-	-	-
Pupil transportation	2,474,455	-	-	-
Central	711,297	-	-	-
Operation of non-instructional services				
Food service operations	-	-	-	-
Other non-operational services	13,822	-	-	-
Extracurricular activities	241,530	-	-	-
Facilities acquisition and construction	-	-	6,402,663	35,324,085
Debt service:				
Principal retirement	-	3,630,000	-	-
Interest and fiscal charges	-	5,208,584	-	-
Total Disbursements	<u>50,718,163</u>	<u>8,953,029</u>	<u>6,477,254</u>	<u>35,359,825</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>3,347,044</u>	<u>577,137</u>	<u>(6,381,961)</u>	<u>(22,948,823)</u>
Other financing sources (uses):				
Sale of Capital Assets	9,242	-	-	-
Insurance Proceeds	-	-	-	249,588
Transfers In	22,703	-	-	-
Transfers Out	(45,620)	-	-	-
Advances In	149,500	-	-	-
Advances Out	(322,010)	-	-	-
Total Other Financing Sources (Uses)	<u>(186,185)</u>	<u>-</u>	<u>-</u>	<u>249,588</u>
Net Change in Fund Balances	3,160,859	577,137	(6,381,961)	(22,699,235)
Fund Balance Beginning of Year, Restated	1,730,100	2,606,906	23,710,072	50,229,388
Fund Balance End of Year	<u>\$ 4,890,959</u>	<u>\$ 3,184,043</u>	<u>\$ 17,328,111</u>	<u>\$ 27,530,153</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,249,485	\$ 28,783,206
-	4,163,559
1,050	693,276
907,024	1,296,779
833	254,916
615,405	686,318
-	1,269,124
184,639	465,242
774,620	41,900,681
6,944,743	7,266,366
<u>10,677,799</u>	<u>86,779,467</u>
1,703,626	27,913,315
2,993,601	7,059,647
-	113,289
-	53,140
91,398	608,505
253,436	2,862,405
680,557	2,836,640
-	39,993
16,174	5,615,278
35,399	1,166,180
67,567	580,448
533,963	5,028,716
65,874	2,540,329
65,785	777,082
2,276,322	2,276,322
355,012	368,834
756,632	998,162
47,495	41,774,243
-	3,630,000
-	5,208,584
<u>9,942,841</u>	<u>111,451,112</u>
<u>734,958</u>	<u>(24,671,645)</u>
-	9,242
50,745	300,333
45,620	68,323
(22,703)	(68,323)
322,010	471,510
(149,500)	(471,510)
<u>246,172</u>	<u>309,575</u>
981,130	(24,362,070)
3,009,027	81,285,493
<u>\$ 3,990,157</u>	<u>\$ 56,923,423</u>

See accompanying notes to the basic financial statements.

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**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -
MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (24,362,070)

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

Internal service fund for self-insurance is not reported in the statement of activities. Disbursements and related internal service fund receipts are eliminated. The net receipt/(disbursement) of the internal service funds are allocated among the governmental activities (151,855)

Change in Net Assets of Governmental Activities \$ (24,513,925)

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
From local sources				
Property Taxes	\$ 19,055,170	\$ 19,055,170	\$ 19,138,626	\$ 83,456
Income Taxes	4,145,403	4,145,403	4,163,559	18,156
Tuition and Fees	735,551	735,551	692,226	(43,325)
Charges for services	226,663	226,663	227,656	993
Earnings on investments	34,770	34,770	34,922	152
Extracurricular	13,800	13,800	8,530	(5,270)
Payments in lieu of taxes	1,263,590	1,263,590	1,269,124	5,534
Other local revenues	262,309	262,309	176,589	(85,720)
Intergovernmental- State	27,595,260	27,595,260	27,716,119	120,859
Intergovernmental- Federa	320,221	320,221	321,623	1,402
Total Receipts	53,652,737	53,652,737	53,748,974	96,237
Disbursements:				
Instruction:				
Regular	39,063,201	39,867,808	26,336,689	13,531,119
Special	1,541,609	1,521,609	4,027,018	(2,505,409)
Vocational	30,049	25,000	113,289	(88,289)
Adult/continuing	500	600	500	100
Other	-	-	517,107	(517,107)
Support services				
Pupils	648,660	733,660	2,610,886	(1,877,226)
Instructional staff	233,836	259,118	2,147,743	(1,888,625)
Board of educatior	59,000	59,000	40,218	18,782
Administratior	1,901,866	1,293,429	5,628,153	(4,334,724)
Fiscal	507,200	518,200	957,320	(439,120)
Business	449,619	449,619	465,465	(15,846)
Operations and maintenance	5,069,487	5,055,621	4,815,164	240,457
Pupil transportatior	2,260,600	2,232,600	2,481,191	(248,591)
Central	657,520	657,520	625,158	32,362
Operation of non-instructional services				
Other non-operational service	-	-	4,376	(4,376)
Extracurricular activitie:	109,164	109,164	195,004	(85,840)
Total Disbursements	52,532,311	52,782,948	50,965,281	1,817,667
Excess of Receipts Over (Under) Disbursements	1,120,426	869,789	2,783,693	1,913,904
Other Financing Sources (Uses):				
Sale of Capital Asset	9,202	9,202	9,242	40
Transfers Out	-	-	(45,620)	(45,620)
Advances In	158,804	158,804	159,500	696
Advances Out	-	-	(332,010)	(332,010)
Total Other Financing Sources (Uses)	168,006	168,006	(208,888)	(376,894)
Net Change in Fund Balance	1,288,432	1,037,795	2,574,805	1,537,010
Fund Balances at Beginning of Year	1,283,156	1,283,156	1,283,156	-
Prior Year Encumbrances Appropriated	329,114	329,114	329,114	-
Fund Balances at End of Year	\$ 2,900,702	\$ 2,650,065	\$ 4,187,075	\$ 1,537,010

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
AS OF JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
Assets:	
Cash and Cash Equivalents	\$ 768,992
Total Assets	<u>768,992</u>
Net Assets:	
Unrestricted	768,992
Total Net Assets	<u><u>\$ 768,992</u></u>

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Fund
Operating Receipts:	
Charges for Services	\$ 7,468,041
Total Operating Receipts	7,468,041
Operating Disbursements:	
Purchased Services	647,588
Claims	6,972,308
Total Operating Disbursements	7,619,896
Change in Net Assets and Operating Loss	(151,855)
Net Assets Beginning of Year, Restated	920,847
Net Assets End of Year	\$ 768,992

See accompanying notes to the basic financial statements

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
AS OF JUNE 30, 2011

	Private-Purpose Trust Scholarship	Agency Fund
Assets:		
Cash and Cash Equivalents	\$ 109,607	\$ 49,128
Total Assets	109,607	49,128
Net Assets:		
Held in Trust for Scholarships	109,607	-
Held for Students Activity	-	49,128
Total Net Assets	\$ 109,607	\$ 49,128

See accompanying notes to the basic financial statements.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust Scholarship
Additions:	
Gifts and Contributions	\$ 17,386
Total Additions	17,386
Deductions:	
Scholarships Awarded	24,410
Total Deductions	24,410
Change in Net Assets	(7,024)
Net Assets at Beginning of Year, Restated	116,631
Net Assets at End of Year	\$ 109,607

See accompanying notes to the basic financial statements

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District employs 204 non-certified and 389 certified employees to provide services to approximately 6,000 students and community groups. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; 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. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District.

Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has four component units. The basic financial statements of the reporting entity include those of the District (the primary government), Virtual Community School of Ohio (component unit), and Reynoldsburg Conversion Community School (component unit). The Districts other two component units have been excluded from the Districts basic financial statements because they report using the accrual-basis of accounting as opposed to the modified cash-basis used by the District.

DISCRETELY PRESENTED COMPONENT UNITS

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT (CONTINUED)

Virtual Community School of Ohio

The Virtual Community School of Ohio (the “VCS”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The VCS is a conversion school that addresses the needs of students who desire a program of online instruction in an independent environment that does not include the most ancillary components of a more traditional education. The VCS is governed by a Board of Trustees. The VCS Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to the VCS, the VCS’s purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Trustees of the VCS, the VCS is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the VCS at 160 S. Hamilton Road, Gahanna, Ohio 43230.

Reynoldsburg Conversion Community School

The Reynoldsburg Conversion Community School (the “RCCS”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. RCCS is designed as a high school dropout prevention/recovery program. RCCS’s Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. Based on the significant services provided by the District to RCCS, RCCS’s purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Trustees of RCCS, RCCS is reflected as a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of RCCS at 7244 E. Main Street, Reynoldsburg, Ohio 43068-3585.

Other Component Units

The following entities have significant services provided by the District and a purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the respective entities’ Board of Trustees make them component units of the District. Each entity is governed by a Board of Trustees. Also, each of the entities’ Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. However, each of the entities report using the accrual-basis of accounting and will not be presented in the District’s modified cash-basis financial statements.

A+ Arts Academy

The A+ Arts Academy (the “Academy”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is a conversion school that offers an opportunity for students that show a strong interest or talent in the visual arts. Separately issued financial statements can be obtained from the Treasurer of the Academy at 270 S. Napoleon Ave., Columbus, Ohio 43213.

Patriot Preparatory Academy

The Patriot Preparatory Academy (the “Academy”) is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is a conversion school that offers an orderly and supportive environment whereby students experience preparations for college, career and life. Separately issued financial statements can be obtained from the Treasurer of the Academy at 4938 Beatrice Dr., Columbus, Ohio 43227.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT (CONTINUED)

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the cash-basis component units can be found in Notes 18 and 19, respectively.

JOINTLY GOVERNED ORGANIZATION

Tri-Rivers Educational Computer Association

The District is a member of the Tri-Rivers Educational Computer Association (TRECA). TRECA is a consortium of over 30 Ohio School Districts located primarily in Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot counties that provides software, hardware, staff development, and technology integration support for member schools. As one of 20+ ITC-sites around the state, TRECA is a member of the Ohio Education Computer Network (OECN) which provides fiscal, support, and student services statewide to Ohio's school districts. Beyond these core services, TRECA also provides additional services to member schools and contracted institutions. Financial information can be obtained from the offices of the Treasurer at 100 Executive Drive, Marion, Ohio, 43302.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund(s) is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

The statement of net assets presents the modified cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major governmental funds are the General Fund, Debt Service Fund, Building Fund, and Classroom Facilities Fund.

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

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

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

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

The other governmental funds of the District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Proprietary Funds

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

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

C. Basis of Accounting

The District's financial statements are prepared using the modified cash basis of accounting. With the exception of investment purchases and sales, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the modified cash basis of accounting, certain noncash assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Cash and Cash Equivalents".

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the fiscal year, the District invested in a certificate of deposit, repurchase agreements, federal agency securities, and a money market fund. Investments are reported at cost, except for the money market fund. The District's money market fund investment is recorded at the amount reported by USBank.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during the fiscal year was \$34,922, which included \$24,486 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had no restricted assets at fiscal year-end.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 13 and 14, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither a other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the District's net assets at fiscal year-end were the result of enabling legislation.

The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) 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.

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

Committed – The committed fund balance classification includes amounts that can be used for the specified purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same 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 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

P. 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 management and are either unusual in nature or infrequent in occurrence. The District did not have either type of transaction during the fiscal year.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE AND NET ASSETS

A. Change in Basis of Accounting - For fiscal year 2011, the District ceased to report using generally accepted accounting principles and reported on the modified cash basis as described in Note 2C. Also, due to the implementation of GASB 54, the Public School Support Fund was reclassified to the General Fund from Other Governmental Funds.

B. Restatement of Fund Balance and Net Assets - The implementation of this change had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General Fund	Debt Service Fund	Building Fund
	<u> </u>	<u> </u>	<u> </u>
Fund Balance June 30, 2010	\$ 3,611,933	\$ 5,527,148	\$ 23,123,132
Eliminate Fair Market Adjustments	-	-	(11,797)
Eliminate Receivables	(23,304,899)	(8,528,927)	(15,346)
Eliminate Prepayments	(149,504)	-	-
Eliminate Due from Other Funds	(16,446)	-	-
Eliminate Payables	6,336,093	-	614,083
Eliminate Deferred revenue	15,135,093	5,608,685	-
Reclass Public School Support Fund	117,830	-	-
Adjusted Fund Balances June 30, 2010	<u>\$ 1,730,100</u>	<u>\$ 2,606,906</u>	<u>\$ 23,710,072</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE AND NET ASSETS (CONTINUED)

	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance June 30, 2010	\$ 47,159,412	\$ 2,564,435	\$ 81,986,060
Eliminate Fair Market Adjustments	(11,797)	-	(23,594)
Eliminate Receivables	(14,170,940)	(1,746,233)	(47,766,345)
Eliminate Materials and supplies inventory	-	(21,495)	(21,495)
Eliminate Prepayments	-	-	(149,504)
Eliminate Due from Other Funds	-	-	(16,446)
Eliminate Payables	3,478,190	1,226,074	11,654,440
Eliminate Due to Other Funds	-	16,446	16,446
Eliminate Deferred revenue	13,774,523	1,087,630	35,605,931
Reclass Public School Support Fund	-	(117,830)	-
Adjusted Fund Balances June 30, 2010	<u>\$ 50,229,388</u>	<u>\$ 3,009,027</u>	<u>\$ 81,285,493</u>

	Governmental Activities	Internal Service Fund	Agency Fund
Net Assets June 30, 2010	\$ 76,852,156	\$ 221,741	\$ -
Eliminate Fair Market Value	(23,594)	-	-
Eliminate Receivables	(47,774,869)	(8,524)	(35)
Eliminate Materials and supplies inventory	(21,495)	-	-
Eliminate Prepayments	(149,504)	-	-
Eliminate Unamortized issuance costs	(1,010,730)	-	-
Eliminate Deferred swation transaction costs	(835,514)	-	-
Eliminate Defereed outflows	(5,343,352)	-	-
Eliminate Capital Assets	(100,369,064)	-	-
Eliminate Payables	12,769,838	707,630	59,255
Eliminate Unearned Revenue	20,094,220	-	-
Eliminate Derivative instruments	5,343,352	-	-
Eliminate Long-term Liabilities	122,674,896	-	-
Adjusted Net Assets June 30, 2010	<u>\$ 82,206,340</u>	<u>\$ 920,847</u>	<u>\$ 59,220</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Fund balances at fiscal year-end included the following individual fund deficits:

<u>Nonmajor government fund</u>	<u>Deficit Amount</u>
Early Childhood Entitlement	\$ (785)
Title I School Improvement	(12,073)
Title I	(51,274)
Title II-A Improving Teacher Quality	(9,396)

B. Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit certain assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (modified cash basis).

The encumbrances outstanding at year-end (budgetary basis) amount to \$568,280.

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District’s Public School Support Fund and Alternative School Fund, no longer meets the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, this fund is presented as part of the District’s General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria. The difference between the budgetary basis and the modified cash basis is \$17,774 for the change in fund balance for the reclassified funds above.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Deposits with Financial Institutions

At fiscal year-end, the carrying amount of the District's deposits, including a \$25,000 certificate of deposit, was \$3,565,249, and the bank balance was \$3,883,408. Of the District's bank balance, \$2,314,962 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was collateralized in the manner described below.

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

At fiscal year-end, the District had the following investments and maturities:

Investment Type	Fair Value	Percent of Total	Investment Maturities		
			less than one year	1 to 2 years	2 to 3 years
Repurchase Agreements	\$ 8,477,063	15.62%	\$ 8,477,063	\$ -	\$ -
Money Market Fund	35,859	0.07%	35,859	-	-
U.S. Treasuries	8,528,821	15.71%	8,528,821	-	-
Federal Agency Securities	37,244,158	68.61%	24,059,988	10,025,000	3,159,170
Total	<u>\$ 54,285,901</u>	<u>100%</u>	<u>\$ 41,101,731</u>	<u>\$ 10,025,000</u>	<u>\$ 3,159,170</u>

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

Credit Risk: The District's investments in U.S. Treasuries and Federal Agency Securities were rated AAA by Standard & Poor's. The District's investments in repurchase agreements and money market fund were unrated.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

The following is a reconciliation of deposits and investments as reported in the note above to cash and investments as reported on the statement of net assets at fiscal year-end:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,565,249
Investments	<u>54,285,901</u>
Total	<u><u>\$ 57,851,150</u></u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 57,692,415
Private-purpose trust funds	109,607
Agency fund	<u>49,128</u>
Total	<u><u>\$ 57,851,150</u></u>

NOTE 7 - PROPERTY TAXES

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 - PROPERTY TAXES (CONTINUED)

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Franklin, Licking and Fairfield Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

	<u>2010 Second Half Collections</u>		<u>2011 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and other real estate	\$ 754,671,780	98.11%	\$ 754,327,740	97.96%
Public Utility Personal	14,027,980	1.81%	15,701,930	2.03%
Tangible Personal Property	511,617	0.07%	20,110	0.00%
Total	<u>\$ 769,211,377</u>	<u>100.00%</u>	<u>\$ 770,049,780</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 64.90		\$ 71.55	

NOTE 8 - INCOME TAXES

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 – INTERFUND RECEIVABLES/PAYABLES

At fiscal year-end, the General Fund had unpaid interfund cash advances in the amount of \$188,956, which represents short-term loans made to other funds of the District. These loans are expected to be repaid within one year.

NOTE 10 - LEASES - LESSEE DISCLOSURE

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

The following is a schedule of the future long-term minimum lease payments required under the lease purchase agreement and the present value of the future minimum lease payments at fiscal year-end:

Fiscal Year Ending June 30,	Total
2012	\$ 33,598

On May 24, 2010, the District has entered into a noncancelable operating lease for the use of copiers. Operating lease payments will be reported as functional expenditures in governmental funds and on budgetary statements. During the fiscal year, the District paid operating lease payments from the General Fund.

The following is a schedule of the future minimum operating lease payments:

Fiscal Year	Total Payment
2012	\$ 333,576
2013	333,576
2014	333,576
2015	333,576
Total	\$ 1,334,304

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

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the fiscal year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Energy conservation notes	\$ 225,000	\$ -	\$ (50,000)	\$ 175,000	\$ 55,000
Series 1997 Bonds					
Capital Appreciation	418,888	-	(163,260)	255,628	138,369
Accreted Interest	3,037,946	497,304	(1,301,740)	2,233,510	1,208,980
Series 2003 Bonds	24,855,000	-	(780,000)	24,075,000	805,000
Series 2005 Bonds	21,680,000	-	(560,000)	21,120,000	580,000
Series 2008 Bonds					
Current Interest	55,260,000	-	(650,000)	54,610,000	670,000
Capital Appreciation	64,988	-	-	64,988	-
Accreted Interest	83,374	75,802	-	159,176	-
General obligation notes	530,000	-	(125,000)	405,000	130,000
Bond anticipation notes	8,150,000	-	-	8,150,000	-
Total long-term obligations	<u>\$ 114,305,196</u>	<u>\$ 573,106</u>	<u>\$ (3,630,000)</u>	<u>\$ 111,248,302</u>	<u>\$ 3,587,349</u>

A. Series 1997 Bonds

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

This issue is comprised of both current interest bonds, par value \$20,625,000, and capital appreciation bonds, par value \$611,520. The interest rates on the current interest bonds range from 3.80% to 5.45%. A capital appreciation bond matured on December 1, 2010 (approximate initial offering yield at maturity 5.15%).

The remaining capital appreciation bonds mature on December 1, 2011 (approximate initial offering yield at maturity 5.30%) and December 1, 2012 (approximate initial offering yield at maturity 5.35%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the outstanding capital appreciation bonds is \$2,930,000 and the accreted value at fiscal year-end was \$2,489,138.

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

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

Fiscal Year	Capital Appreciation Bonds		
	Principal	Interest	Total
2012	1,347,349	117,651	1,465,000
2013	1,141,789	323,211	1,465,000
Total	<u>\$ 2,489,138</u>	<u>\$ 440,862</u>	<u>\$ 2,930,000</u>

B. Series 2003 Bonds

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

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

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

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

Fiscal Year	Current Interest Bonds- Series 2003		
	Principal	Interest	Total
2012	\$ 805,000	\$ 1,051,011	\$ 1,856,011
2013	830,000	1,023,405	1,853,405
2014	860,000	993,830	1,853,830
2015	890,000	962,538	1,852,538
2016	920,000	929,045	1,849,045
2017-2021	5,205,000	4,021,234	9,226,234
2022-2026	6,460,000	2,731,112	9,191,112
2027-2031	8,105,000	1,039,185	9,144,185
Total	<u>\$ 24,075,000</u>	<u>\$ 12,751,360</u>	<u>\$ 36,826,360</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

C. Series 2005 Bonds

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

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

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

Fiscal Year	Current Interest Bonds- Series 2005		
	Principal	Interest	Total
2012	\$ 580,000	\$ 998,900	\$ 1,578,900
2013	600,000	976,750	1,576,750
2014	625,000	952,250	1,577,250
2015	650,000	926,750	1,576,750
2016	675,000	900,250	1,575,250
2017-2021	3,850,000	4,001,975	7,851,975
2022-2026	4,910,000	2,916,750	7,826,750
2027-2031	6,265,000	1,526,375	7,791,375
2032-2033	2,965,000	141,575	3,106,575
Total	<u>\$ 21,120,000</u>	<u>\$ 13,341,575</u>	<u>\$ 34,461,575</u>

D. Series 2008 Bonds

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

This issue is comprised of both current interest bonds, par value \$55,935,000, and capital appreciation bonds, par value \$64,988. The interest rates on the current interest bonds range from 3.00% to 5.25%. The capital appreciation bonds mature on December 1, 2016 (approximate initial offering yield at maturity 4.30%) and December 1, 2017 (approximate initial offering yield at maturity 4.42%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,500,000 and the accreted value at fiscal year-end was \$224,164.

REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

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

The following is a summary of the future debt service requirements to maturity for the 2008 series general obligation bonds:

Fiscal Year	Current Interest Bonds- Series 2008			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 670,000	\$ 2,622,226	\$ 3,292,226	\$ -	\$ -	\$ -
2013	870,000	2,596,112	3,466,112	-	-	-
2014	905,000	2,564,484	3,469,484	-	-	-
2015	940,000	2,530,456	3,470,456	-	-	-
2016	1,150,000	2,489,831	3,639,831	-	-	-
2017-2021	7,535,000	11,836,184	19,371,184	224,164	2,275,836	2,500,000
2022-2026	15,500,000	8,619,076	24,119,076	-	-	-
2027-2031	20,955,000	4,325,419	25,280,419	-	-	-
2032-2033	6,085,000	287,125	6,372,125	-	-	-
Total	<u>\$ 54,610,000</u>	<u>\$ 37,870,913</u>	<u>\$ 92,480,913</u>	<u>\$ 224,164</u>	<u>\$ 2,275,836</u>	<u>\$ 2,500,000</u>

E. Series 1999 Energy Conservation Notes

During fiscal year 1999, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund.

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

Fiscal Year	Principal	Interest	Total
2012	\$ 55,000	\$ 7,449	\$ 62,449
2013	60,000	4,545	64,545
2014	60,000	1,515	61,515
Total	<u>\$ 175,000</u>	<u>\$ 13,509</u>	<u>\$ 188,509</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

F. Series 2003 Energy Conservation Notes

On July 1, 2003, the District issued general obligation notes to provide funds for energy improvements to school facilities. These notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund.

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

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

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

Fiscal Year	Principal	Interest	Total
2012	\$ 130,000	\$ 12,523	\$ 142,523
2013	135,000	7,784	142,784
2014	140,000	2,660	142,660
Total	<u>\$ 405,000</u>	<u>\$ 22,967</u>	<u>\$ 427,967</u>

G. Series 2007 Bond Anticipation Notes

On November 29, 2007, the District issued bond anticipation notes in the amount of \$9,540,000 to refund the callable portion of the 1997 series general obligation bonds (see Note 10.A). These bond anticipation notes were subsequently purchased by Dexia Credit Local (Dexia) and a swap option was exercised obligating Dexia to pay the variable interest rate due on the notes in return for a fixed rate to be received by the District (see Note 10.H for detail).

H. Refunding and Sold Options

In 2008, the District entered into an agreement with Dexia for Dexia to purchase bond anticipation notes that were or may be issued to refund a portion of the general obligation bonds discussed in Note 10.A. (1997 issue), Note 10.B. (2003 issue) and Note 10.C. (2005 issue). These refunding bond anticipation notes, as or if issued, bear or would bear variable interest rates based upon the Securities Industry and Financial Markets Association (SIFMA, formerly the Bond Marketing Association, BMA) Municipal Swap Index plus 29 basis points (0.29%).

REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

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

Fiscal Year	Bond Anticipation Notes		
	Principal	Interest	Total
2012	\$ -	\$ 444,175	\$ 444,175
2013	-	444,175	444,175
2014	1,460,000	404,390	1,864,390
2015	1,540,000	322,640	1,862,640
2016	1,630,000	236,258	1,866,258
2017-2018	3,520,000	194,020	3,714,020
Total	<u>\$ 8,150,000</u>	<u>\$ 2,045,658</u>	<u>\$ 10,195,658</u>

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

REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Dexia has committed to purchase the notes related to the 2003 and 2005 issues if the District presents notice to Dexia that it is, in fact, entering into the swaps. The termination dates under these swap agreements coincide with the maturity dates of the respective issues. The swap agreements may be terminated prior to their stated termination dates under certain circumstances. Upon termination, a payment may be owed by the District to the counterparty (Dexia), or by the counterparty to the District, depending upon the prevailing economic circumstances at the time of the termination and the District would again be exposed to the variable interest rates of the notes. The District would also be exposed to the variable interest rates if the counterparty to the swap defaults on its obligation to pay the variable interest required under the swap agreement.

The obligation of the District under the swap agreements to make the periodic fixed rate payments (but not the termination payment) is secured by a pledge of ad valorem taxes, similar in most respects to the pledge of such taxes for the related bonds to be refunded. Because these notes have not been issued (and may never be issued) there is no requirement at the present time to describe debt service requirements to maturity for the refunding of the 2003 and 2005 issues.

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

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

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

Counterparty Risk: Over the long-term, it is possible that the credit strength of Dexia could change and this event could trigger termination payments or other remedies on the part of Dexia or the District. In fact, Dexia's credit rating has been down-graded since the swap agreements were entered into, which triggered certain disclosures by Dexia, but no payments or other adverse events affecting the District.

REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Counterparty risk is minimized in this case because, as noted above, Dexia basically is paying itself the variable rates and is receiving or would be receiving the fixed rates from the District.

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

The fair values of hedging derivative instruments at fiscal year-end, as reported by Dexia, which would be payable by the District, should they opt to terminate, were: \$1,303,405, \$1,939,215, and \$1,673,485 for the 1997 issue, 2003 issue, and 2005 issue, respectively. The District has no intention of terminating these hedging derivative instruments.

The worsening of the European sovereign debt crisis and the significant disruption to the financial markets since the summer of 2011 led to an increased refinancing risk for the Dexia Group, notwithstanding the substantial progress made with regard to its financial restructuring over the past three years. To stabilize its liquidity situation and to protect its commercial franchises, the Group was confronted with the need for immediate and resolute action and engaged in a series of structural measures significantly impacting the Group structure. Although the impact of Dexia Group's restructuring is not completely known at this time, the District believes it's risk exposure to be limited.

J. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at fiscal year-end, resulted in no remaining voted debt margin and an unvoted debt margin of \$770,050. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated a "special needs" school district as permitted by Ohio Revised Code Section 133.06(E).

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - RISK MANAGEMENT

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:			
Each occurrence	Ohio Casualty	\$ 1,000,000	\$ -
Aggregate		2,000,000	-
Umbrella liability:			
Each occurrence	Ohio Casualty	5,000,000	-
Aggregate		5,000,000	-
Building and contents	Ohio Casualty	145,188,200	5,000
Business auto:			
Each occurrence	Ohio Casualty	1,000,000	-
Employee benefits liability:			
Each occurrence	Ohio Casualty	1,000,000	1,000
Aggregate		3,000,000	-

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal 2010.

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 – PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.8%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$800,586, \$1,119,747 and \$733,607, respectively. The full amount has been contributed for each year.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. 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 toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS (CONTINUED)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average

salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS (CONTINUED)

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,431,465, \$3,602,040, and \$3,906,104, respectively. The full amount has been contributed for each year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$51,520, \$66,589, and \$60,529, respectively. The full amount has been contributed in each year.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including 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. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2011, 2010, and 2009 were \$198,245, \$141,611, and \$494,905, respectively. The full amount has been contributed in each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$263,959, \$277,080, and \$300,470, respectively. The full amount has been contributed in each year.

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2011.

B. Litigation

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

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 – SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the set aside balances for textbooks and capital improvements:

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside cash balance as of June 30, 2010	\$ -	\$ -
Current fiscal year set-aside requirement	922,956	922,956
Current year qualifying disbursements	(427,079)	-
Excess qualifying disbursements from prior years	(495,877)	-
Prior Year Offset from Bond Proceeds	-	(922,956)
Total	\$ -	\$ -
 Balance carried forward to FY 2011	 \$ -	 \$ -
 Set Aside Reserve Balance June 30, 2011	 \$ -	 \$ -

Textbooks and Other Instructional Materials

The District had qualifying disbursements from prior years that reduced the set-aside amounts to zero for the textbooks/instructional materials set aside. The District still has \$2,712,993 in qualifying disbursements that may be used to reduce the set-aside requirement for future years.

Capital Acquisition

During fiscal year 2003, the District issued \$29,800,000 in capital related debt based on a building project under taken by the District. During fiscal year 2005, the District issued \$23,950,000 in capital related debt for a new building project. During fiscal year 2009, the District issued \$55,999,988 in capital related debt for a new building project. Those proceeds may be used as qualifying disbursements to reduce the capital acquisition to zero for future years. Therefore, the District still has \$106,200,365 in qualifying disbursements that may be used to reduce the set-aside requirement for future years.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - CONTRACTUAL COMMITMENTS

At fiscal year-end, the District has commitments with the following companies:

Vendor	Contract Amount	Amount Paid As of June 30, 2011	Amount Remaining on Contract
Accurate Electric	\$ 4,817,287	\$ 683,671	\$ 4,133,616
Breckenridge Kitchen Equipment	291,360	-	291,360
C&T Design & Equipment Inc	100,458	-	100,458
Center City International	405,162	-	405,162
Claggett & Sons Inc.	644,927	90,797	554,130
Columbus Southern Power Co	164,224	49,026	115,198
Cox Paving Inc	1,135,850	-	1,135,850
Crawford Mechanical	300,279	66,399	233,880
Dave York Sports Inc.	1,366,604	1,175,360	191,244
David Williams & Assoc Inc	126,500	-	126,500
Direct Energy Marketing Inc	194,000	48,099	145,901
Econo Inc	457,763	40,924	416,839
Educational Service Center	345,331	317,200	28,131
Farnham Equipment	730,928	67,744	663,184
Fire Guard Inc	101,992	-	101,992
General Temperature Control	3,210,000	-	3,210,000
George J. Igel Co. Inc.	908,024	906,274	1,750
Gutridge Plumbing	483,643	53,118	430,525
Modular Building Consultants	120,320	-	120,320
Moody Nolan	3,049,197	2,235,804	813,393
Peabody Landscape Group	112,126	-	112,126
Robertson Construction	971,225	118,985	852,240
Secoa Inc	102,683	-	102,683
Smoot, Elford, McDaniels	770,456	340,042	430,414
Stafford Smith Inc	137,487	11,806	125,681
Stan & Associates, Inc.	220,415	6,887	213,528
Stonecreek Interior	444,841	66,752	378,089
Synergy Group	4,192,256	834,305	3,357,951
T.B. Penick & Sons	822,894	-	822,894
The Courtsmiths	413,076	-	413,076
Tom Sexton & Assoc., Inc	1,414,366	-	1,414,366
TP Mechanical Contractors	348,029	309,887	38,142
TS Randall	449,301	-	449,301
2 K General Co Inc	4,247,130	-	4,247,130
Total	<u>\$ 33,600,134</u>	<u>\$ 7,423,080</u>	<u>\$ 26,177,054</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 – VIRTUAL COMMUNITY SCHOOL

Key disclosures for Virtual Community School (“the School”) are as follows:

Deposits

At fiscal year-end the carrying amount of the School’s deposits was \$369,285 and the bank balance was \$725,710, including \$35,081 on deposit in a Paypal account. Of the School’s bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance was exposed to custodial risk as discussed below.

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

Operating Lease

The School entered into two lease contracts with eSchool Consultants, LLC, which commenced on July 1, 2008. These agreements are for office space at 4480 Refugee Road, Columbus, Ohio. This office space is made up of 4,513 square feet on the north side of the building and 7,352 square feet on the south side of the building. Lease payments for the north side space were \$4,325 per month from July 2010 through June 2011. Lease payments for the south side space were \$7,046 per month from July 2010 through June 2011.

Lease payments for these offices totaled \$130,762 during fiscal year 2011. Over the term of the leases there are scheduled rent increases, but no scheduled rent holidays, and the leases are renewable by either party at expiration. The future minimum lease payments are noted in the following table.

Fiscal Year Ending	Suites
<u>June 30,</u>	<u>North, South</u>
2012	\$ 142,380
2013	148,312
Total	<u>\$ 290,692</u>

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 – VIRTUAL COMMUNITY SCHOOL (CONTINUED)

Consulting Contract

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

For fiscal year 2011, the School paid eSchool Consultants \$4,593,734, for support and services rendered under the contractual agreement during fiscal year 2011.

NOTE 19 – REYNOLDSBURG CONVERSION COMMUNITY SCHOOL

Key disclosures for Reynoldsburg Conversion Community School (“the School”) are as follows:

Deposits

At fiscal year-end, the carrying amount of the School’s deposits was \$153,562 and the bank balance was \$153,660. The School’s entire bank balance was covered by the Federal Depository Insurance Corporation (FDIC).

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

Lease Agreement

On August 23, 2010, the School entered into agreement with the District to lease for office space and classrooms at the Graham Road Elementary School. The School paid the District \$50,000 for use of the space during fiscal year 2011. On June 21, 2011, the School extended the lease for fiscal year 2012 with payments remaining at \$50,000 for the fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Grant Year(s)	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
School Breakfast Program	2010-2011	10.553	\$ 444,300	\$ 23,216	\$ 444,300	\$ 23,216
National School Lunch Program	2010-2011	10.555	955,327	69,648	955,327	69,648
Summer Food Program	2010-2011	10.559	43,419	31,337	43,419	31,337
Total Nutrition Cluster			<u>1,443,046</u>	<u>124,201</u>	<u>1,443,046</u>	<u>124,201</u>
Team Nutrition Grant	2010	10.574	(99)	-	3,147	-
Total U.S. Department of Agriculture			<u>1,442,947</u>	<u>124,201</u>	<u>1,446,193</u>	<u>124,201</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Cluster:						
Title I Grants to Local Educational Agencies	2010-2011	84.010	1,173,697	-	1,348,228	-
ARRA - Title I Grants to Local Educational Agencies	2010-2011	84.389	238,082	-	258,076	-
Total Title I Cluster			<u>1,411,779</u>	<u>-</u>	<u>1,606,304</u>	<u>-</u>
Special Education Cluster:						
Special Education Grants to States	2010-2011	84.027	1,087,758	-	1,048,266	-
ARRA - Special Education Grants to States	2010-2011	84.391	653,937	-	638,192	-
ARRA - Early Childhood Special Education Grants	2010-2011	84.392	47,602	-	45,565	-
Total Special Education Cluster			<u>1,789,297</u>	<u>-</u>	<u>1,732,023</u>	<u>-</u>
Safe & Drug Free School Communities State Program	2010-2011	84.186	(1)	-	-	-
Education Technology State Grants	2010-2011	84.318	5,379	-	5,436	-
Title III	2010-2011	84.365	43,275	-	44,745	-
Improving Teacher Quality State Grants	2010-2011	84.367	152,552	-	163,162	-
ARRA - McKinney-Vento Homeless Grant	2011	84.387	78	-	78	-
ARRA - State Fiscal Stabilization Fund – Education State Grants	2010-2011	84.394	2,086,963	-	2,024,826	-
ARRA - Race to the Top	2011	84.395	7,000	-	5,866	-
Total U.S. Department of Education			<u>5,496,322</u>	<u>-</u>	<u>5,582,440</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION						
<i>Passed Through Ohio Department of Transportation</i>						
Safe Routes to School	2011	20.205	8,405	-	8,405	-
Total U.S. Department of Transportation			<u>8,405</u>	<u>-</u>	<u>8,405</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Education</i>						
Refugee School Impact Grant	2010	93.576	5,476	-	2,976	-
Total U.S. Department of Health and Human Services			<u>5,476</u>	<u>-</u>	<u>2,976</u>	<u>-</u>
Total			<u>\$ 6,953,150</u>	<u>\$ 124,201</u>	<u>\$ 7,040,014</u>	<u>\$ 124,201</u>

The accompanying notes are an integral part of this schedule.

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

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

NOTE C - CHILD NUTRITION CLUSTER

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 D - FOOD DONATION PROGRAM

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

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

Reynoldsburg City School District
Franklin County
7244 East Main Street
Reynoldsburg, Ohio 43068

To the Board of Education:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Reynoldsburg City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2011, wherein we noted that the District reports on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, and wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2011-01.

Independent Accountants' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 19, 2011.

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

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

A handwritten signature in cursive script that reads "Kennedy Cottrell Richards LLC".

Kennedy Cottrell Richards LLC

December 19, 2011

**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**

Reynoldsburg City School District
Franklin County
7244 East Main Street
Reynoldsburg, Ohio 43068

To the Board of Education:

Compliance

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

The Reynoldsburg City School District's basic financial statements include the operations of the Virtual Community School and Reynoldsburg Conversion Community School, component units of Reynoldsburg City School District. Virtual Community School and Reynoldsburg Conversion Community School received \$2,812,032 and \$241,545 and expended \$2,801,754 and \$261,855, respectively in federal awards during fiscal year 2011 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Reynoldsburg City School District for the fiscal year ended June 30, 2011. Our audit of federal awards, described below, did not include the operations of Virtual Community School and Reynoldsburg Conversion Community School. For the fiscal year ended June 30, 2011, Virtual Community School required a single audit of its Federal Award Programs in accordance with OMB Circular A-133, and a separate report has been issued. Reynoldsburg Conversion Community School expended less than \$500,000 for the fiscal year ended June 30, 2011 and thus was not required to have an audit of its Federal Award Program in accordance with OMB Circular A-133.

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

In our opinion, the Reynoldsburg City School District, Franklin 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, 2011.

Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance or internal control over compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 19, 2011.

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



Kennedy Cottrell Richards LLC

December 19, 2011

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

SCHEDULE OF FINDINGS

JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	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 other 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) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA: 84.027, 84.391, 84.392 ARRA - State Fiscal Stabilization Fund – Education State Grants CFDA: 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

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

SCHEDULE OF FINDINGS

JUNE 30, 2011

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

2011-01 NONCOMPLIANCE: BASIS OF ACCOUNTING

Ohio Administrative Code Section 117-2-03 (B) states "All counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles."

The District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. To be in compliance with the Ohio Administrative Code, the District should use generally accepted accounting principles in future annual financial reports; otherwise, the District can be fined and various other administrative remedies may be taken against the District.

Official's Response:

The cost of preparation of GAAP financial statements significantly exceeds the cost of preparation of non-GAAP financial statements. In the judgment of RCSD, the application of GAAP, which exists principally as a guide to entities other than local governments, does not produce financial statements that are materially more accurate than non-GAAP financial statements. In light of the higher costs, absence a material benefit, and financial constraints, RCSD has chosen to prepare non-GAAP financial statements

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-01	Significant Deficiency: Food Service Receipts	Yes	Finding no longer valid.

Independent Accountants' Report on Applying Agreed-Upon Procedures

Reynoldsburg City School District
Franklin County
7244 East Main Street
Reynoldsburg, Ohio 43068

To the Board of Education:

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

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

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

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

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

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



Kennedy Cottrell Richards LLC

December 19, 2011



Dave Yost • Auditor of State

REYNOLDSBURG CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 19, 2012