

Heath City School District

Heath, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**



HEATH CITY SCHOOL DISTRICT

Heath, Ohio

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
June 30, 2012**

Prepared by:

**Mr. Bradley T. Hall
Treasurer**



HEATH CITY SCHOOL DISTRICT

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HEATH CITY SCHOOL DISTRICT



INTRODUCTORY SECTION



Board of Education
Heath City Schools



Office of the Treasurer

107 Lancaster Drive
Heath, Ohio 43056
Phone: 740-522-1300
Fax: 740-522-4697

November 30, 2012

Board of Education Members and Citizens of the Heath City School District:

As the Superintendent and Treasurer of the Heath City School District (the District), we are pleased to submit to you this Comprehensive Annual Financial Report (CAFR) issued by the District. This CAFR for the year ended June 30, 2012 is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Accounting principles generally accepted in the United States of America (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Heath City School District's MD&A can be found immediately following the independent auditor's report.

The District provides a full range of education programs and services to 1,597 students. These include elementary and secondary curriculum offerings at the general, college preparatory, and vocational levels, a broad range of co-curricular and extracurricular activities, and special education services. In addition, the District provides state-financed assistance to non-public schools located within its boundaries. This assistance is accounted for in a special revenue fund. The non-public school operations have not met the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report.

HEATH CITY SCHOOL DISTRICT

*Letter of Transmittal
For the Fiscal Year Ended June 30, 2012*

ECONOMIC CONDITIONS AND OUTLOOK

The District is located within the City of Heath in Licking County, which is situated in the east-central part of the state. Heath is a community of 8,500 people. It is located approximately 6 miles north of Interstate 70, 45 miles east of Columbus and is bounded on the north by Newark, the county seat of Licking County. State Routes 79 and 13 serve as the major transportation arteries.

Consistent and modestly paced commercial, industrial, and residential growth continues to favor the City of Heath. Other major employers, including Kaiser Aluminum, continued to operate in a solid fashion. A very favorable sign related to industrial growth is that the Port Authority and Mid-Ohio Development were considered as possible sights by several national companies for the re-location of operation centers.

Several new businesses, including the Dick's Sporting Goods, DFW, Goodwill Industries, Billy Lees Chinese restaurant, Panera Breads, and Verizon Wireless opened this year.

Long-Term Financial Planning – The District prepares a five-year forecast for use as a tool for long range planning. The five-year forecast projects local and state revenues, spending patterns within each area of the budget, and cash balances in the District's operating fund. The District uses the five-year forecast to provide a basis for making financial decisions, including the construction of the annual budget, adjustments to staffing levels, collective bargaining, and the placement of tax levies on the ballot.

MAJOR INITIATIVES

Current: - Each year, the District updates a five year continuous improvement plan developed by an administrative team consisting of the Superintendent, administrators, staff members, business members and the community. The team identifies and develops beliefs, a mission statement, objectives and strategies and then submits it to the Board for final approval before implementation.

During fiscal year 2012, the District focused on the maintaining growth in student enrollment. The District's test score performance allowed the Heath City School's to be recognized as an "Excellent" district by the Ohio Department of Education. The District completed some small projects during this year which included blacktop maintenance, and beginning interior building painting

Future: During the 2012-2013 school year the primary concentration is on curriculum revision. Ohio's New Learning Standards are a set of curriculum standards that will drive teaching and learning, and will prepare students the PARCC assessments, which are the new state standardized tests that will begin in the 2014-2015 school year. Teachers and administrators are focused on student achievement and student growth which contribute to the district composite rating on the state report card. Heath City Schools was rated Excellent for the 2011-2012 school year, and will continue to work toward excellent ratings.

HEATH CITY SCHOOL DISTRICT

Letter of Transmittal For the Fiscal Year Ended June 30, 2012

In addition to the curriculum revision process, teachers and administrators are preparing for the implementation of the Ohio Teacher Evaluation System (OTES) and the Ohio Principal Evaluation system (OPES). Both systems are focused on ensuring that districts maintain the highest levels of teacher effectiveness. This is the most significant teacher evaluation reform the district has experienced, and follows an almost identical timeline as the curriculum revision. The first year of full implementation of OTES and OPES is the 2013-2014 school year. Student growth measures, which indicate the amount of improvement students demonstrate on a variety of assessments will be included in a teacher's evaluation. The district is currently adhering to a stringent professional development schedule to meet both of these initiatives.

District officials are also continuing work on the following initiatives:

- Continue implementation of the district technology plan.
- Offer various classes of summer remediation at no cost to students.
- Strive to reach the goal of 75% achievement on state tests.
- Strive to reach above expected growth in grades 4-8 on value-added measures.
- Increase post-secondary opportunities for students.
- Continue to expand technical preparatory opportunities.
- Emphasize Reading Mastery and Corrective Reading as early literacy intervention in grades K-3.
- Utilize STAR Early Literacy and STAR Assessments for progress monitoring of intervention students.
- Utilize all available data to drive curricular decision in the regular curriculum, intervention areas and special education.
- Implement Formative Instructional Practices (FIP) to ensure learning for all students.
- Utilize the MAP Assessment as a universal screener to ensure student success for all.

HEATH CITY SCHOOL DISTRICT

*Letter of Transmittal
For the Fiscal Year Ended June 30, 2012*

FINANCIAL INFORMATION

ACCOUNTING SYSTEM -- The District's accounting system is organized on a fund basis. Each fund is a separate self-balancing accounting entity. The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

INTERNAL CONTROLS -- The Treasurer of the District is responsible for establishing an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Management Team is responsible for assisting with implementation of the established internal controls. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of cost and benefit requires estimates and judgments by management.

BUDGETARY CONTROLS -- All governmental fund types are subject to annual expenditure budgets. The procedures below outline the District's budgetary procedures:

1. The county budget commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.
2. An annual appropriations measure is passed upon receipt of the County Auditor's final tax revenue estimates, October or November of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Board adopts temporary appropriations at its June Board meeting to cover expenditures until the adoption of the permanent appropriations. The appropriations measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments are given building budgeting funds for instructional supplies, custodial supplies, meeting and mileage expenses and equipment. Buildings and/or departments may move funds within their budgets with approval of the Superintendent and Treasurer. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the fund level.

Additionally, the District maintains an encumbrance accounting system as a useful technique of accomplishing budgetary control. Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures of funds are recorded in order to reserve that portion of the applicable appropriation.

HEATH CITY SCHOOL DISTRICT

*Letter of Transmittal
For the Fiscal Year Ended June 30, 2012*

OTHER INFORMATION

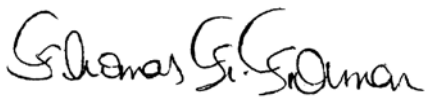
INDEPENDENT AUDIT -- This report includes an unqualified audit report regarding the District's financial statements. The audit was conducted by Kennedy Cottrell Richards, LLC. The Independent Auditor's Report on the basic financial statements is included in the financial section of this report.

AWARDS -- The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities who qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. The District received a Certificate of Achievement for the year ended June 30, 2011. We believe this, our thirteenth Comprehensive Annual Financial Report, meets the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and we are submitting it to GFOA.

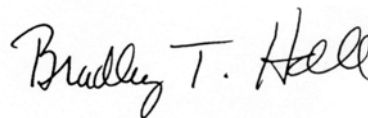
ACKNOWLEDGMENTS -- The preparation of the Comprehensive Annual Financial Report was made possible by the diligence of the Treasurer's staff. We are also grateful for the services of Donald J. Schonhardt & Associates, Inc. for their assistance in preparing this report. We truly appreciate the contribution made by each staff member in the preparation of this report.

In closing, without the patience and support of the Treasurer's Office Staff and the Board of Education, preparation of this report would not have been possible.

Respectfully submitted,



Thomas F. Forman
Superintendent



Bradley T. Hall
Treasurer

HEATH CITY SCHOOL DISTRICT

Members of the Board of Education and Administration For the Fiscal Year Ended June, 30, 2012

Members of the Board of Education

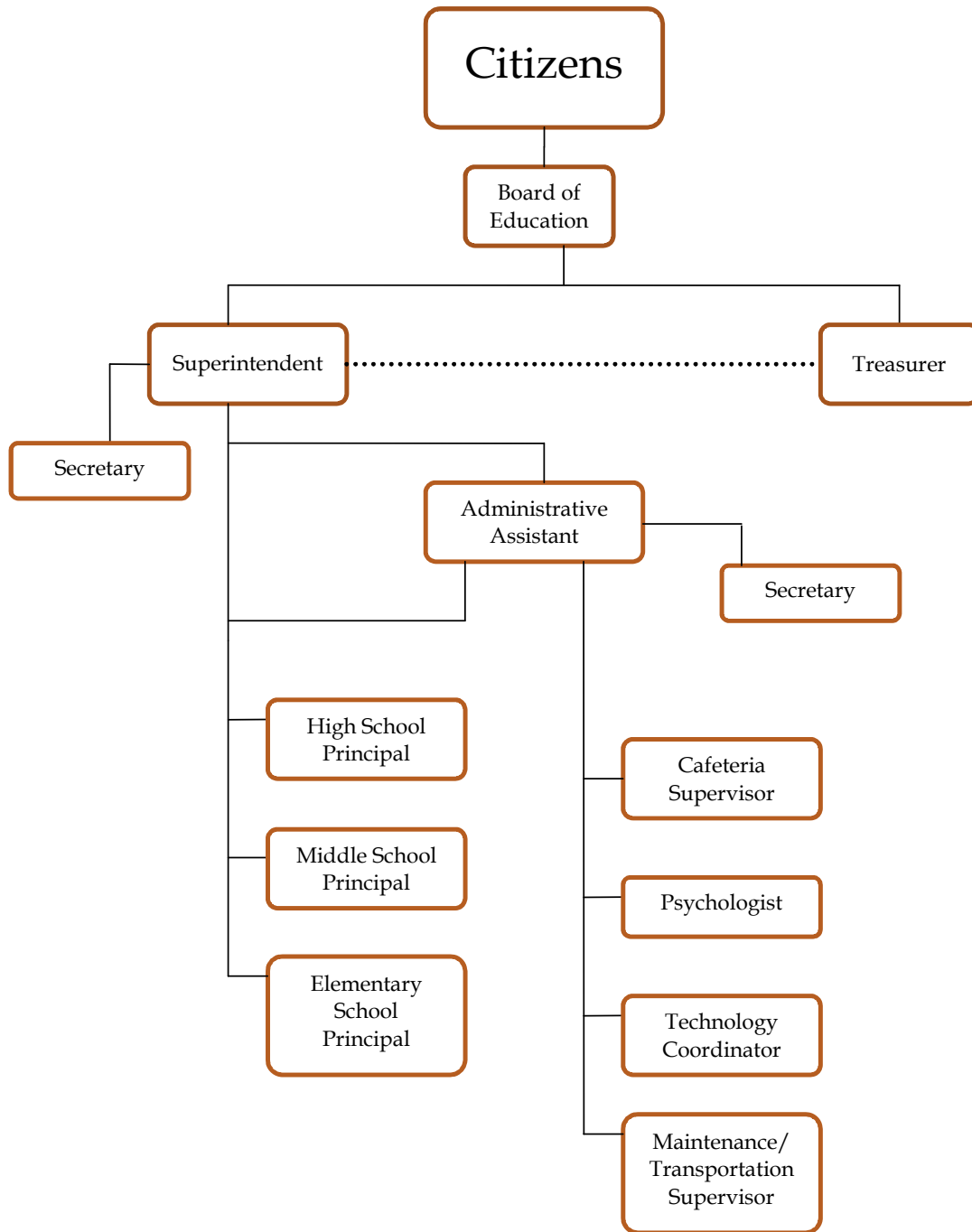
<u>Name</u>	<u>Title</u>	<u>Years of Service</u>
Mr. James Roberts	President	15
Mr. James Bowers	Vice president	15
Mr. Brad Beck	Member	0
Ms. Debbie Kelley	Member	4
Ms. Barbara Meckley	Member	4

Administration

<u>Name</u>	<u>Title</u>	<u>Years of Service</u>	
		<u>Position</u>	<u>Total</u>
Mr. Thomas Forman	Superintendent	6	35
Mr. Bradley T. Hall	Treasurer	16.5	32
Mr. James Forgrave	Assistant Superintendent	5	30

HEATH CITY SCHOOL DISTRICT

Organizational Chart
For the Fiscal Year Ended June 30, 2012



HEATH CITY SCHOOL DISTRICT

*Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting*

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Heath City School District
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emmer

Executive Director

FINANCIAL SECTION



INDEPENDENT ACCOUNTANTS' REPORT

Heath City School District
Licking County
107 Lancaster Drive
Heath, Ohio 43056

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The introductory section, the combining nonmajor fund statements and schedules, and the statistical section information provide additional analysis and are not a required part of the basic financial statements. The nonmajor fund combining statements and schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These statements and schedules were 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. We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.



Kennedy Cottrell Richards, LLC

November 30, 2012

HEATH CITY SCHOOL DISTRICT

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

Unaudited

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 are as follows:

- ❑ In total, net assets decreased \$1,443,229, which represents a 32.5% decrease from 2011.
- ❑ General revenues accounted for \$14,944,703 in revenue or 91.7% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$1,350,272 or 8.3% of total revenues of \$16,294,975.
- ❑ The District had \$17,738,204 in expenses related to governmental activities; only \$1,350,272 of these expenses were offset by program specific charges for services and sales and grants and contributions.
- ❑ Among major funds, the general fund had \$13,529,962 in revenues and \$14,633,421 in expenditures. The general fund's fund balance decreased from \$2, 672,384 to \$1,568,925.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis and the basic financial statements and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

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

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

Government-wide Statements

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

HEATH CITY SCHOOL DISTRICT

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

Unaudited

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

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

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

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

Fund Financial Statements

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

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

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

HEATH CITY SCHOOL DISTRICT

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

Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Assets provides a perspective of the District as a whole. The following table provides a summary of the District's net assets for 2012 compared to 2011:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Current and other assets	\$14,322,930	\$15,405,966	(\$1,083,036)
Capital assets, Net	14,909,461	15,740,620	(831,159)
Total assets	<u>29,232,391</u>	<u>31,146,586</u>	<u>(1,914,195)</u>
Long-term debt outstanding	16,242,177	16,651,586	(409,409)
Other liabilities	9,987,620	10,049,177	(61,557)
Total liabilities	<u>26,229,797</u>	<u>26,700,763</u>	<u>(470,966)</u>
Net assets			
Invested in capital assets, net of related debt	2,239,306	2,630,860	(391,554)
Restricted	2,043,284	3,008,636	(965,352)
Unrestricted	<u>(1,279,996)</u>	<u>(1,193,673)</u>	<u>(86,323)</u>
Total net assets	<u>\$3,002,594</u>	<u>\$4,445,823</u>	<u>(\$1,443,229)</u>

At year-end for governmental activities, capital assets represented 51% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012 was \$2,239,306. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. A portion of the District's net assets, \$2,043,284, represents resources that are subject to external restriction on how they may be used.

HEATH CITY SCHOOL DISTRICT

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

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for fiscal years 2012 and 2011:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$512,186	\$568,365	(\$56,179)
Operating Grants and Contributions	838,086	1,688,192	(850,106)
Total Program Revenues	<u>1,350,272</u>	<u>2,256,557</u>	<u>(906,285)</u>
General Revenues:			
Property Taxes	8,316,211	8,221,857	94,354
Grants and Entitlements	6,098,286	6,391,572	(293,286)
Other	530,206	533,384	(3,178)
Total General Revenues	<u>14,944,703</u>	<u>15,146,813</u>	<u>(202,110)</u>
Total Revenues	<u>16,294,975</u>	<u>17,403,370</u>	<u>(1,108,395)</u>
Program Expenses			
Instruction	9,989,037	10,300,203	(311,166)
Support Services:			
Pupils	805,150	935,407	(130,257)
Instructional Staff	344,754	384,329	(39,575)
Board of Education	20,516	16,901	3,615
Administration	1,618,593	1,452,788	165,805
Fiscal Services	492,224	499,038	(6,814)
Business	17,713	34,834	(17,121)
Operation and Maintenance of Plant	1,306,882	1,230,337	76,545
Pupil Transportation	638,839	642,930	(4,091)
Central	280,810	319,121	(38,311)
Operation of Non-Instructional Services:			
Community Services	6,117	6,758	(641)
Food Service Operations	616,504	597,437	19,067
Other	1,900	0	1,900
Extracurricular Activities	574,354	688,364	(114,010)
Interest and Fiscal Charges	<u>1,024,811</u>	<u>1,012,984</u>	<u>11,827</u>
Total Expenses	<u>17,738,204</u>	<u>18,121,431</u>	<u>(383,227)</u>
Change in Net Assets	(1,443,229)	(718,061)	(725,168)
Beginning Net Assets	<u>4,445,823</u>	<u>5,163,884</u>	<u>(718,061)</u>
Ending Net Assets	<u>\$3,002,594</u>	<u>\$4,445,823</u>	<u>(\$1,443,229)</u>

HEATH CITY SCHOOL DISTRICT

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

Unaudited

Governmental Activities

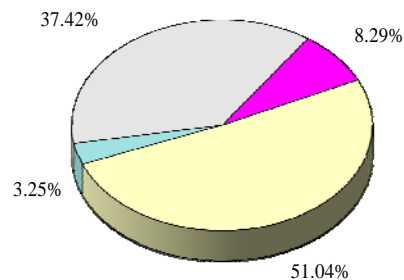
Net assets of the District's governmental activities decreased by \$1,443,229. Total governmental expenses of \$17,738,204 were offset by program revenues of \$1,350,272 and general revenues of \$14,944,703. Program revenues supported 7.6% of the total governmental expenses. The primary reason for the decrease in net assets is that the District received several one-time stimulus grants in 2011 that were not available again in 2012.

The primary sources of revenues for governmental activities are derived from property taxes and grants and entitlements. The primary sources of general revenue total \$14,414,497 and represent 96.5% of total general revenue.

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

Property taxes made up 51% of revenues for governmental activities for Heath City Schools in fiscal year 2012. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2012	Percent of Total
General Grants	\$6,098,286	37.42%
Program Revenues	1,350,272	8.29%
General Tax Revenues	8,316,211	51.04%
General Other	530,206	3.25%
Total Revenue	\$16,294,975	100.00%



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$3,469,188, which is under last year's total of \$4,535,814. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase (Decrease)
General	\$1,568,925	\$2,672,384	(\$1,103,459)
Bond Retirement	1,103,745	1,031,216	72,529
Other Governmental	796,518	832,214	(35,696)
Total	\$3,469,188	\$4,535,814	(\$1,066,626)

HEATH CITY SCHOOL DISTRICT

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

Unaudited

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

	2012 Revenues	2011 Revenues	Increase (Decrease)
Taxes	\$7,047,171	\$6,905,663	\$141,508
Tuition	66,003	86,905	(20,902)
Investment Earnings	4,747	5,500	(753)
Class Materials and Fees	64,454	72,703	(8,249)
Intergovernmental - State	5,821,399	6,071,807	(250,408)
All Other Revenue	526,188	530,514	(4,326)
Total	\$13,529,962	\$13,673,092	(\$143,130)

General Fund revenues in 2012 decreased approximately 1.0% compared to revenues in fiscal year 2011. The decrease in intergovernmental revenue is from the phase out of the personal property tax reimbursement from the State.

	2012 Expenditures	2011 Expenditures	Increase (Decrease)
Instruction	\$8,974,864	\$7,999,261	\$975,603
Supporting Services:			
Pupils	809,099	893,407	(84,308)
Instructional Staff	304,418	288,106	16,312
Board of Education	20,516	16,901	3,615
Administration	1,505,632	1,277,497	228,135
Fiscal Services	467,611	468,184	(573)
Business	17,713	34,834	(17,121)
Operation and Maintenance of Plant	1,222,560	1,189,989	32,571
Pupil Transportation	585,119	571,969	13,150
Central	270,097	294,039	(23,942)
Operation of Non-Instructional Services:			
Food Service Operations	24,407	3,537	20,870
Extracurricular Activities	324,075	334,825	(10,750)
Capital Outlay	49,770	38,750	11,020
Debt Service:			
Principal Retirement	51,702	48,702	3,000
Interest and Fiscal Charges	5,838	8,838	(3,000)
Total	\$14,633,421	\$13,468,839	\$1,164,582

The expenditures increased by \$1,164,582 or 8.6% compared to the prior year. The increase in Instruction and Administration was due to using one-time stimulus monies accounted for in special revenue funds to pay for salaries and benefits in 2011. These monies are no longer available in 2012, so the General Fund resumed payment of these expenditures. There was also an increase in the amount of teacher and administrative retirements compared to 2011.

HEATH CITY SCHOOL DISTRICT

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

Unaudited

Bond Retirement Fund – This fund has remained consistent compared to the prior year with an increase of \$72,529.

GENERAL FUND BUDGETING HIGHLIGHTS

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

During the course of fiscal year 2012 the District amended its General Fund budget, the increase of \$0.7 million compared to the original budget was the result of needing to budget additional monies for payments to community schools, substitute teachers and salaries and benefits that had been paid from stimulus monies in special revenue funds in 2011.

The General Fund budget basis revenue of \$13.5 million increased compared to the original budget estimates because State Foundation payments were underestimated in the original budget.

Actual expenditures compared to the final budget resulted in an overall positive variance due to retired teachers that were not replaced and less than anticipated costs for maintenance and repair by outside contractors.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2012 the District had \$14,909,461 net of accumulated depreciation invested in land, buildings, equipment, and vehicles. The following table shows fiscal year 2012 and 2011 balances:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Land	\$438,952	\$438,952	\$0
Land Improvements	2,151,716	2,151,716	0
Buildings and Improvements	21,792,147	21,792,147	0
Machinery and Equipment	1,546,936	1,512,554	34,382
Vehicles	936,323	936,323	0
Construction in Progress	0	0	0
Less: Accumulated Depreciation	(11,956,613)	(11,091,072)	(865,541)
Totals	\$14,909,461	\$15,740,620	(\$831,159)

The district did not acquire any significant capital assets in 2012. Additional information on the District's capital assets can be found in Note 8.

HEATH CITY SCHOOL DISTRICT

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

Unaudited

Debt

At June 30, 2012, the District had \$16.2 million in general obligation bonds, capital leases and compensated absences outstanding, \$1,278,987 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Governmental Activities:		
General Obligation Bonds Payable	\$14,825,640	\$15,120,402
Capital Leases Payable	69,131	120,833
Compensated Absences	<u>1,347,406</u>	<u>1,410,351</u>
Totals	<u><u>\$16,242,177</u></u>	<u><u>\$16,651,586</u></u>

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

ECONOMIC FACTORS

The District voters renewed a \$1.3 million renewal levy in May 2010 along with an additional \$1.3 million emergency levy that will be in effect for 5 years. The current revenue will provide the District with funds to meet its operating expenses through fiscal year 2013. Beyond fiscal year 2013, the District will face some decisions on obtaining additional funding sources or reducing expenses.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Bradley T. Hall, Heath City School District.



HEATH CITY SCHOOL DISTRICT

Statement of Net Assets **June 30, 2012**

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 3,364,679
Investments	1,297,260
Receivables:	
Taxes	9,195,209
Intergovernmental	48,181
Interest	1,116
Inventory	16,382
Prepaid Items	183,236
Restricted Assets:	
Cash and Cash Equivalents	67,516
Deferred Charges	149,351
Capital Assets:	
Nondepreciable Capital Assets	438,952
Depreciable Capital Assets, Net	<u>14,470,509</u>
Total Capital Assets, Net	<u>14,909,461</u>
Total Assets	<u>29,232,391</u>
Liabilities:	
Accounts Payable	51,594
Accrued Wages and Benefits	1,214,987
Intergovernmental Payable	329,193
Unearned Revenue - Taxes	8,295,726
Early Retirement Incentive Payable	55,810
Accrued Interest Payable	40,310
Long Term Liabilities:	
Due Within One Year	1,278,987
Due in More Than One Year	<u>14,963,190</u>
Total Liabilities	<u>26,229,797</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,239,306
Restricted For:	
Capital Projects	738,118
Debt Service	1,128,253
Statutory Purposes	140,760
Federal and State Grant Programs	36,153
Unrestricted (Deficit)	<u>(1,279,996)</u>
Total Net Assets	<u>\$ 3,002,594</u>

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

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

		Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 9,989,037	\$ 137,166	\$ 399,255	\$ (9,452,616)
Support Services:				
Pupils	805,150	45,392	0	(759,758)
Instructional Staff	344,754	0	37,976	(306,778)
Board of Education	20,516	0	0	(20,516)
Administration	1,618,593	0	122,029	(1,496,564)
Fiscal Services	492,224	0	165	(492,059)
Business	17,713	0	0	(17,713)
Operation and Maintenance of Plant	1,306,882	0	0	(1,306,882)
Pupil Transportation	638,839	0	0	(638,839)
Central	280,810	0	7,200	(273,610)
Operation of Non-Instructional Services:				
Community Services	6,117	0	3,971	(2,146)
Food Service Operations	616,504	241,808	267,490	(107,206)
Other	1,900	0	0	(1,900)
Extracurricular Activities	574,354	87,820	0	(486,534)
Interest and Fiscal Charges	1,024,811	0	0	(1,024,811)
Total Governmental Activities	\$ 17,738,204	\$ 512,186	\$ 838,086	(16,387,932)

General Revenues

Property Taxes Levied for:	
General Purposes	6,981,958
Debt Service	1,161,817
Capital Outlay	172,436
Grants and Entitlements not Restricted to Specific Programs	6,098,286
Investment Earnings	9,489
Miscellaneous	520,717
Total General Revenues	14,944,703
Change in Net Assets	(1,443,229)
Net Assets Beginning of Year	4,445,823
Net Assets End of Year	\$ 3,002,594

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,444,149	\$ 1,042,765	\$ 877,765	\$ 3,364,679
Investments	1,297,260	0	0	1,297,260
Receivables:				
Taxes	7,667,447	1,327,129	200,633	9,195,209
Intergovernmental	0	0	48,181	48,181
Interest	1,116	0	0	1,116
Inventory	0	0	16,382	16,382
Prepaid Items	171,764	0	11,472	183,236
Restricted Assets:				
Cash and Cash Equivalents	67,516	0	0	67,516
Total Assets	\$ 10,649,252	\$ 2,369,894	\$ 1,154,433	\$ 14,173,579
Liabilities:				
Accounts Payable	\$ 50,468	\$ 0	\$ 1,126	\$ 51,594
Accrued Wages and Benefits	1,116,714	0	98,273	1,214,987
Intergovernmental Payable	310,011	0	19,182	329,193
Deferred Revenue - Taxes	7,299,937	1,266,149	191,153	8,757,239
Deferred Revenue	527	0	48,181	48,708
Early Retirement Incentive Payable	55,810	0	0	55,810
Compensated Absences Payable	246,860	0	0	246,860
Total Liabilities	9,080,327	1,266,149	357,915	10,704,391
Fund Balances:				
Nonspendable	171,764	0	27,854	199,618
Restricted	86,144	1,103,745	789,919	1,979,808
Assigned	143,303	0	0	143,303
Unassigned	1,167,714	0	(21,255)	1,146,459
Total Fund Balances	1,568,925	1,103,745	796,518	3,469,188
Total Liabilities and Fund Balances	\$ 10,649,252	\$ 2,369,894	\$ 1,154,433	\$ 14,173,579

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

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

Total Governmental Fund Balances	\$ 3,469,188
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	14,909,461
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	510,221
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds Payable	(12,173,705)
Deferred Loss on refunding (to be amortized over life of debt)	235,746
Deferred Charge for Issuance Costs (to be amortized over life of debt)	149,351
Issuance Premium (to be amortized over life of debt)	(812,416)
Interest Accretion (to be amortized as interest expense)	(2,075,265)
Capital Leases Payable	(69,131)
Compensated Absences Payable	(1,100,546)
Accrued Interest Payable	(40,310)
	<u>(15,886,276)</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 3,002,594</u>

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local Sources:				
Taxes	\$ 7,047,171	\$ 1,160,524	\$ 174,177	\$ 8,381,872
Tuition	66,003	0	0	66,003
Food Services	0	0	241,808	241,808
Investment Earnings	4,747	0	4,843	9,590
Extracurricular Activities	0	0	87,820	87,820
Class Materials and Fees	64,454	0	0	64,454
Intergovernmental - State	5,821,399	230,120	63,811	6,115,330
Intergovernmental - Federal	0	0	836,314	836,314
All Other Revenue	526,188	0	46,630	572,818
Total Revenues	13,529,962	1,390,644	1,455,403	16,376,009
Expenditures:				
Current:				
Instruction	8,974,864	0	656,662	9,631,526
Supporting Services:				
Pupils	809,099	0	0	809,099
Instructional Staff	304,418	0	19,860	324,278
Board of Education	20,516	0	0	20,516
Administration	1,505,632	0	132,809	1,638,441
Fiscal Services	467,611	17,173	2,908	487,692
Business	17,713	0	0	17,713
Operation and Maintenance of Plant	1,222,560	0	0	1,222,560
Pupil Transportation	585,119	0	0	585,119
Central	270,097	0	8,300	278,397
Operation of Non-Instructional Services:				
Community Services	0	0	6,117	6,117
Food Service Operations	24,407	0	559,411	583,818
Other	0	0	1,900	1,900
Extracurricular Activities	324,075	0	97,125	421,200
Capital Outlay	49,770	0	100	49,870
Debt Service:				
Principal Retirement	51,702	815,000	0	866,702
Interest and Fiscal Charges	5,838	485,942	0	491,780
Total Expenditures	14,633,421	1,318,115	1,485,192	17,436,728
Net Change in Fund Balances	(1,103,459)	72,529	(29,789)	(1,060,719)
Fund Balances at Beginning of Year	2,672,384	1,031,216	832,214	4,535,814
Decrease in Inventory Reserve	0	0	(5,907)	(5,907)
Fund Balances End of Year	\$ 1,568,925	\$ 1,103,745	\$ 796,518	\$ 3,469,188

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds \$ (1,060,719)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (831,159)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (81,034)

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. 866,702

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due. 370

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

Compensated Absences	201,919	
Interest Accretion	(471,305)	
Amortization of Deferred Loss on Refunding	(117,876)	
Amortization of Deferred Charge for Bond Issuance Costs	(13,163)	
Amortization of Premium on Bond Issuance	68,943	
Change in Inventory	(5,907)	(337,389)

Change in Net Assets of Governmental Activities \$ (1,443,229)

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 7,463,800	\$ 7,242,755	\$ 7,237,671	\$ (5,084)
Tuition	78,500	66,200	66,003	(197)
Investment Earnings	5,000	5,000	5,050	50
Intergovernmental - State	5,310,000	5,803,100	5,821,399	18,299
All Other Revenues	<u>336,015</u>	<u>361,875</u>	<u>362,279</u>	<u>404</u>
Total Revenues	<u>13,193,315</u>	<u>13,478,930</u>	<u>13,492,402</u>	<u>13,472</u>
Expenditures:				
Current:				
Instruction	8,389,395	9,173,967	8,835,386	338,581
Support Services:				
Pupils	800,422	657,478	647,512	9,966
Instructional Staff	304,860	320,438	314,247	6,191
Board of Education	24,310	20,865	18,965	1,900
Administration	1,470,725	1,457,105	1,432,337	24,768
Fiscal Services	535,239	530,159	469,243	60,916
Business	49,825	36,245	17,801	18,444
Operation and Maintenance of Plant	1,575,840	1,588,870	1,346,378	242,492
Pupil Transportation	624,378	652,729	605,080	47,649
Central	304,902	268,137	264,621	3,516
Food Services	3,850	27,490	24,401	3,089
Extracurricular Activities	342,507	331,025	327,646	3,379
Capital Outlay	<u>26,889</u>	<u>105,814</u>	<u>96,966</u>	<u>8,848</u>
Total Expenditures	<u>14,453,142</u>	<u>15,170,322</u>	<u>14,400,583</u>	<u>769,739</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(1,259,827)	(1,691,392)	(908,181)	783,211
Fund Balance at Beginning of Year				
	3,260,613	3,260,613	3,260,613	0
Prior Year Encumbrances				
	<u>234,288</u>	<u>234,288</u>	<u>234,288</u>	<u>0</u>
Fund Balance at End of Year				
	<u>\$ 2,235,074</u>	<u>\$ 1,803,509</u>	<u>\$ 2,586,720</u>	<u>\$ 783,211</u>

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

Statement of Net Assets
Fiduciary Funds
June 30, 2012

	<u>Private Purpose Trust</u>	
	<u>Special Trust Fund</u>	<u>Agency</u>
Assets:		
Cash and Cash Equivalents	\$ 1,890	\$ 41,213
Total Assets	<u>1,890</u>	<u>41,213</u>
Liabilities:		
Due to Students	0	41,213
Total Liabilities	<u>0</u>	<u>41,213</u>
Net Assets:		
Unrestricted	1,890	0
Total Net Assets	<u>\$ 1,890</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

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

	<u>Private Purpose Trust</u>	<u>Special Trust Fund</u>
Additions:		
Interest	\$ 13	
Total Additions	<u>13</u>	
Deductions:		
Community Gifts, Awards and Scholarships		<u>100</u>
Total Deductions		<u>100</u>
Change in Net Assets		(87)
Net Assets at Beginning of Year		<u>1,977</u>
Net Assets End of Year		<u>\$ 1,890</u>

See accompanying notes to the basic financial statements

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 52 noncertified and approximately 112 certified teaching personnel and administrative employees providing education to 1,597 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units*", in that the statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the District's ability to impose its will over the organization's governing body or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District participates in two jointly governed organizations. These organizations are the Licking Area Computer Association (LACA), which provides computer services to school districts and the Educational Regional Service System (ERSS) Region 11. The Licking County Career and Technical Education Center acts as fiscal agent for LACA and the Franklin Educational Service Center is the fiscal agent for ERSS. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The accounting policies and financial reporting practices of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types are used by the District:

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

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

Bond Retirement Fund - This fund is used for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore are not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs for students. The District's agency fund accounts for various student-managed activity programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

C. Basis of Presentation and Measurement Focus - Financial Statements

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus – Financial Statements (Continued)

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

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

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

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

Private purpose trust funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Revenue considered susceptible to accrual at year end includes property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as unearned revenue. Any grants and entitlements which also may be received before the eligibility requirements are met would also be recorded as unearned revenue. Deferred revenues on the governmental fund financial statements are receivables which will not be collected within the available period.

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

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

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

E. Budgetary Process

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

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

1. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2012.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year.

During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The treasurer may allocate appropriations among departments within a fund. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

3. Lapsing of Appropriations

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

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HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	(\$1,103,459)
Increase (Decrease):	
Accrued Revenues	
at June 30, 2012,	
received during FY 2013	(368,099)
Accrued Revenues	
at June 30, 2011,	
received during FY 2012	558,913
Accrued Expenditures	
at June 30, 2012,	
paid during FY 2013	1,779,863
Accrued Expenditures	
at June 30, 2011,	
paid during FY 2012	(1,707,534)
FY 2011 Prepays for FY 2012	183,217
FY 2012 Prepays for FY 2013	(171,764)
Perspective Difference-	
Budgeted Special Revenue Funds	
reclassified as General Fund	14,139
Encumbrances Outstanding	(93,457)
Budget Basis	(\$908,181)

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2012, cash and cash equivalents included amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less, repurchase agreements and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its investments in federal securities at fair value and its nonparticipating investment contracts (certificates of deposit and repurchase agreements) at cost.

The District has invested funds in the STAR Ohio during 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2012. See Note 5, "Cash, Cash Equivalents and Investments".

H. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds, if material. The costs of inventory items are recorded as expenditures in the governmental funds using the purchase method. Inventory is reported on the government-wide financial statements using the consumption method.

I. Prepaid Items

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Depreciation

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

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Improvements	20-50
Machinery, Equipment, Furniture and Fixtures	5-30
Vehicles	8

K. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds Payable	Bond Retirement Fund
Long-Term Notes Payable	Bond Retirement Fund
Compensated Absences	General Fund, Food Service Fund
Capital Leases Payable	General Fund

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 245 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 56.75 days for certified employees or 61 days for noncertified employees, plus one day for each year of service over ten years. Compensated absences accumulated by governmental fund type employees are retired as an expense when earned in the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the fund financial statements.

M. Net Assets

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

The District policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The District did not have net assets restricted by enabling legislation at June 30, 2012.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance

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

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

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

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

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

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions

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

P. Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Other than transfers, the District has no interfund activity. The effect of the transfers has been eliminated from the government-wide financial statements.

Q. Restricted Assets

Restricted assets represent cash and cash equivalents set aside to establish reserves for budget stabilization.

R. Estimates

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Extraordinary item transactions did not occur during fiscal year 2012. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2012, the District had no special items.

HEATH CITY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Bond Premiums, Bond Discounts, Gains/Losses on Refunding and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt. Bond premiums are deferred and accreted over the term of the bonds. Any gain or loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums, and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equities

The fund deficit at June 30, 2012 of \$11,900 in the Title VI-B Fund and \$9,355 in the Title I Fund (special revenue funds) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting.

B. Excess Appropriations over Estimated Revenues

Excess Appropriations over Estimated Revenues - Ohio Revised Code Section 5705.39 requires that appropriations do not exceed estimated revenues. Appropriations exceeded estimated revenues in the following funds at June 30, 2012:

<u>Fund</u>	<u>Excess</u>
Nonmajor Special Revenue Funds:	
Title VI-B Fund	\$ 28,352
Title I Fund	11,076
Improving Teacher Quality Fund	8,751

HEATH CITY SCHOOL DISTRICT

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

NOTE 3 – FUND BALANCES

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

Fund Balances	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	\$171,764	\$0	\$11,472	\$183,236
Supplies Inventory	0	0	16,382	16,382
Total Nonspendable	<u>171,764</u>	<u>0</u>	<u>27,854</u>	<u>199,618</u>
Restricted:				
Budget Stabilization	67,516	0	0	67,516
Bus Purchase	18,628	0	0	18,628
Food Service Operations	0	0	6,544	6,544
Community Activities	0	0	1,489	1,489
Extracurricular Activities	0	0	45,661	45,661
Nonpublic Schools	0	0	132	132
Technology Improvements	0	0	7,000	7,000
Vocational Education	0	0	396	396
Improving Teacher Quality	0	0	220	220
Debt Service Payments	0	1,103,745	0	1,103,745
Capital Improvements	0	0	728,477	728,477
Total Restricted	<u>86,144</u>	<u>1,103,745</u>	<u>789,919</u>	<u>1,979,808</u>
Assigned to Other Purposes	143,303	0	0	143,303
Unassigned	<u>1,167,714</u>	<u>0</u>	<u>(21,255)</u>	<u>1,146,459</u>
Total Fund Balances	<u>\$1,568,925</u>	<u>\$1,103,745</u>	<u>\$796,518</u>	<u>\$3,469,188</u>

HEATH CITY SCHOOL DISTRICT

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

NOTE 4 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which depreciation exceeded capital outlays in the current period:

Capital Outlay	\$34,382
Depreciation Expense	(865,541)
	<u>(\$831,159)</u>

Governmental revenues not reported in the funds:

Decrease in Delinquent Tax Revenue	(\$65,661)
Decrease in Intergovernmental Grants Receivable	(15,272)
Decrease in Interest Earnings	(101)
	<u>(\$81,034)</u>

Amount of bond and lease principal payments:

Bond Principal Payment	\$815,000
Capital Lease Payment	51,702
	<u>\$866,702</u>

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HEATH CITY SCHOOL DISTRICT

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

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. The District has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Treasurer to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income.

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

HEATH CITY SCHOOL DISTRICT

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

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio);
- Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
- Under limited circumstances, corporate debt interest rated in either of the two highest rating classification by at least two nationally recognized rating agencies.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. The District has no policy on custodial credit risk and is governed by Ohio Revised Code. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was (\$42,337) and the bank balance was \$150,110. Federal deposit insurance covered all of the bank balance.

HEATH CITY SCHOOL DISTRICT

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

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

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

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3 years	3-5 years
Repurchase Agreements	\$1,933,087	*	\$1,933,087	\$0	\$0
STAR Ohio	1,587,848	AAA ^m ²	1,587,848	0	0
FNMA Note	359,733	a Aaa ¹ , AA+ ²	0	204,787	154,946
FHLB Notes	489,877	Aaa ¹ , AA+ ²	175,000	314,877	0
FHLMC Notes	124,902	Aaa ¹ , AA+ ²	124,902	0	0
FHLMC Discount Note	319,448	P-1 ¹ , A-1+ ²	319,448	0	0
Total Investments	<u>\$4,814,895</u>		<u>\$4,140,285</u>	<u>\$519,664</u>	<u>\$154,946</u>

*United States Treasury and United States Agency securities underlie the repurchase agreements. United States Agency securities are rated AA+ by Standard and Poor's.

¹ Moody's Investor Service

² Standard & Poor's

^a \$130,000 FNMA Note is callable on November 29, 2012 and \$154,946 FNMA Note is callable on April 30, 2013.

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The District has no policy that limits investment purchases beyond the requirements of the Ohio Revised Code.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 7.5% are FNMA, 10.2% are FHLB, 2.6% are FHLMC, and 6.6% are FHLMC Discount Notes.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District. The District has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

HEATH CITY SCHOOL DISTRICT

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

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$3,475,298	\$1,297,260
Certificates of Deposit (with maturities of more than 3 months)	3,300	(3,300)
Repurchase Agreements	(1,933,087)	1,933,087
STAR Ohio	(1,587,848)	1,587,848
Per GASB Statement No. 3	<u>(\$42,337)</u>	<u>\$4,814,895</u>

D. Reconciliation of Cash, Cash Equivalents and Investments to the Statement of Net Assets

The following is a reconciliation of cash, cash equivalents and investments to the Statement of Net Assets as of June 30, 2012:

Investments (summarized above)	\$4,814,895
Carrying amount of District's deposits	(42,337)
Fiduciary Funds - Cash and Investments	<u>(43,103)</u>
Total Governmental Activities - Cash and Investments	<u>\$4,729,455</u>

NOTE 6 - PROPERTY TAXES

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

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 6 - PROPERTY TAXES (Continued)

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

The District receives property taxes from Licking County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2012 receipts were based are:

	<u>Assessed Values for Collection in:</u>	
	<u>2011 Second Half</u>	<u>2012 First Half</u>
Agricultural/Residential and Other Real Estate	\$243,524,570	\$246,409,720
Public Utility Personal	6,265,120	6,342,490
Total Assessed Value	<u>\$249,789,690</u>	<u>\$252,752,210</u>
Tax rate per \$1,000 of assessed valuation	\$55.62	\$55.70

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HEATH CITY SCHOOL DISTRICT

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, intergovernmental and interest receivables. All receivables are expected to be collected within the next year.

NOTE 8 - CAPITAL ASSETS

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

Historical Cost:

Class	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
<i>Capital Assets not being depreciated:</i>				
Land	\$438,952	\$0	\$0	\$438,952
Construction In Progress	0	0	0	0
Subtotal	<u>438,952</u>	<u>0</u>	<u>0</u>	<u>438,952</u>
<i>Capital Assets being depreciated:</i>				
Land Improvements	2,151,716	0	0	2,151,716
Buildings and Improvements	21,792,147	0	0	21,792,147
Machinery and Equipment	1,512,554	34,382	0	1,546,936
Vehicles	936,323	0	0	936,323
Subtotal	<u>26,392,740</u>	<u>34,382</u>	<u>0</u>	<u>26,427,122</u>
Total Cost	<u>\$26,831,692</u>	<u>\$34,382</u>	<u>\$0</u>	<u>\$26,866,074</u>

Accumulated Depreciation:

Class	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Land Improvements	(\$1,144,899)	(\$89,576)	\$0	(\$1,234,475)
Buildings and Improvements	(8,091,062)	(643,296)	0	(8,734,358)
Furniture, Fixtures and Equipment	(1,046,052)	(89,585)	0	(1,135,637)
Vehicles	(809,059)	(43,084)	0	(852,143)
Total Depreciation	<u>(\$11,091,072)</u>	<u>(\$865,541) *</u>	<u>\$0</u>	<u>(\$11,956,613)</u>
<i>Net Value:</i>	<u>\$15,740,620</u>			<u>\$14,909,461</u>

HEATH CITY SCHOOL DISTRICT

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

NOTE 8 - CAPITAL ASSETS (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$458,589
Support Services:	
Pupils	20,950
Instructional Staff	20,678
Administration	46,144
Fiscal Services	3,377
Operations and Maintenance of Plant	58,564
Pupil Transportation	53,814
Central	647
Operation of Non-Instructional Services:	
Food Service	36,534
Extracurricular Activities	166,244
Total Depreciation Expense	<u><u>\$865,541</u></u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$234,173, \$209,057 and \$194,921 respectively, which were equal to the required contributions for each year.

HEATH CITY SCHOOL DISTRICT

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

HEATH CITY SCHOOL DISTRICT

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$928,456, \$926,673, and \$891,874 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2012 were \$7,766 made by the District and \$5,547 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website, www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800.

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$32,543, \$47,326, and \$37,171 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$13,829, \$13,453, and \$11,592 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$71,420, \$71,283, and \$68,606 respectively; which were equal to the required contributions for each year.

HEATH CITY SCHOOL DISTRICT

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

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

The original amounts of the General Obligation Bonds Payable of \$993,350, and \$16,248,718, were used to finance the cost of various building renovations and the cost of building a new high school and other building additions. The original amounts of the General Obligation Bonds Payable of \$9,999,987, and \$2,494,999 were used to partially refund the \$16,248,718 bond.

Detail of the changes in the notes, bonds, capital leases payable and compensated absences of the District for the year ended June 30, 2012 is as follows:

		Balance June 30, 2011	Issued	Retired	Balance June 30, 2012	Due Within One Year
Governmental Activities:						
General Obligation Bonds Payable:						
School Improvement Bonds	6.38%	\$945,000	\$0	(\$5,000)	\$940,000	\$5,000
School Improvement Bonds	4.35-5.6%	118,718	0	0	118,718	48,066
School Improvement Bonds-Refunding	2.75-4.2%	9,309,987	0	(110,000)	9,199,987	220,000
School Improvement Bonds-Refunding	3.6-4%	2,249,999	0	(334,999)	1,915,000	15,000
Subtotal General Obligation Bonds Payable		12,623,704	0	(449,999)	12,173,705	288,066
Premium on Refunding Bonds		881,359	0	(68,943)	812,416	0
Deferred Loss on Refunding		(353,622)	0	117,876	(235,746)	0
Interest Accretion		1,968,961	471,305	(365,001)	2,075,265	616,934
Total General Obligation Bonds Payable		15,120,402	471,305	(766,067)	14,825,640	905,000
Capital Leases		120,833	0	(51,702)	69,131	54,888
Compensated Absences		1,410,351	156,924	(219,869)	1,347,406	319,099
Total Governmental Activities		\$16,651,586	\$628,229	(\$1,037,638)	\$16,242,177	\$1,278,987

A. Principal and Interest Requirements

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

Years	General Obligation Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2013	\$288,066	\$1,096,070	\$54,888	\$2,652
2014	279,095	1,100,872	14,243	142
2015	286,557	1,097,785	0	0
2016	975,000	432,729	0	0
2017	1,015,000	391,799	0	0
2018-2022	2,879,987	4,047,285	0	0
2023-2027	6,285,000	768,947	0	0
2028	165,000	5,259	0	0
Totals	\$12,173,705	\$8,940,746	\$69,131	\$2,794

HEATH CITY SCHOOL DISTRICT

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

NOTE 12 - CAPITALIZED LEASES

The District leases several copiers under capital leases. The cost of the equipment obtained under capital leases is \$248,060, which is included in the Governmental Activities Capital Assets and the related liability is included in the Governmental Activities Long-Term Liabilities.

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

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2013	\$57,540
2014	14,385
Minimum Lease Payments	71,925
Less: Amount representing interest at the District's incremental borrowing rate of interest	(2,794)
Present Value of minimum lease payments	<u>\$69,131</u>

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. During fiscal year 2011 the District contracted with Ohio Casualty Insurance Company for various insurance coverages, as follows:

<u>Coverage</u>	<u>Deductible</u>	<u>Aggregate</u>
	\$250/Comprehensive	
Fleet Insurance	\$500/Collision	\$1,000,000
Buildings and Contents	\$1,000	\$37,777,500
Equipment Breakdown	\$1,000	\$37,777,500
School District Liability	\$0	\$2,000,000
Employee Benefits Liability	\$1,000	\$3,000,000
School Leaders Errors and Omissions	\$2,500	\$1,000,000
Umbrella Policy	\$0	\$1,000,000
Crime	\$0	\$50,000
Inland Marine	\$500	\$100,000
Computers	\$500	\$100,000

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

HEATH CITY SCHOOL DISTRICT

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

NOTE 13 - RISK MANAGEMENT (Continued)

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the 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 Sheakley, Inc. provides administrative, cost control and actuarial services to the GRP. 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 program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The District is currently providing group health care insurance by contracting with Medical Mutual, Inc. for commercial health care coverage.

NOTE 14 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts for capital acquisition into a reserve. Reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2012, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2011	\$0	\$67,516	\$67,516
Current Year Additions	296,791	0	296,791
Qualifying Offset	(234,914)	0	(234,914)
Current Year Disbursements	(68,105)	0	(68,105)
Totals	<u>(\$6,228)</u>	<u>\$67,516</u>	<u>\$61,288</u>
Balance Carried Forward to FY2013	<u>\$0</u>	<u>\$67,516</u>	<u>\$67,516</u>
Restricted Cash Balance at June 30, 2012	<u>\$0</u>	<u>\$67,516</u>	<u>\$67,516</u>

The District had qualifying disbursements in past years that reduced the set-aside amounts below zero for the Capital Acquisition Reserve; however, this amount may not be used to reduce the set-aside requirement for future years. The amount restricted for budget stabilization reserve is \$67,516.

HEATH CITY SCHOOL DISTRICT

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

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

Licking Area Computer Association - The District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of thirteen members made up of the thirteen district superintendents. The District paid LACA \$103,980 for services provided during the year. Financial information can be obtained from their fiscal agent, the Licking County Career and Technical Education Center, Ben Strey, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

B. Educational Regional Service System Region 11

The School District participates in the Educational Regional Service System (ERSS) Region 11, a jointly governed organization consisting of educational entities within Delaware, Fairfield, Franklin, Licking, Madison, Pickaway, and Union counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Franklin Educational Service Center, Citygate Business Park, 2080 Citygate Drive, Columbus, OH, 43219.

HEATH CITY SCHOOL DISTRICT

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

NOTE 16 – CONTINGENCIES

A. Grants

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

The District receives financial assistance from federal 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

HEATH CITY SCHOOL DISTRICT

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS.**



HEATH CITY SCHOOL DISTRICT

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Food Service Fund

To record financial transactions associated with food service operations.

Uniform School Supply Fund

To account for the purchase and sale of school supplies. Profits derived from sales must be used for school purposes or activities. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the General Fund on a GAAP basis.)

Rotary Fund

To account for operations that provide goods and services provided by the District. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the General Fund on a GAAP basis.)

Public School Support Fund

To account for specific local revenue sources, other than taxes that are restricted to expenditures for specified purposes, curricular and extracurricular, approved by board resolutions. . (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the General Fund on a GAAP basis.)

Other Grants Fund

To account for the proceeds of specific revenue sources, except for state and federal grants that are legally restricted to expenditures for specified purposes.

District Managed Student Activity Fund

To account for student activity programs which have student participation in the activity, but do not have student management of the programs. Typically this includes athletic programs, band, cheerleaders and other similar types of activities.

Auxiliary Services Fund

To account for monies which provide services and materials to pupils attending non-public schools within the District.

Management Information System Fund

To account for costs related to hardware and software development or other costs associated with the requirements of the management information system.

(Continued)

HEATH CITY SCHOOL DISTRICT

Special Revenue Funds

Data Communication Fund

To account for monies received for the maintenance of the Ohio Educational Computer Network connections. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

SchoolNet Professional Development Fund

To account for professional development subsidy grants. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Education Jobs Fund

To account for federal monies to provide compensation and benefits to retain existing employees, to recall or rehire former employees and to hire new employees in order to provide early childhood, elementary or secondary educational and related services. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Title VI-B Fund

To account for monies received through grants to assist in the identification of children with disabilities, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provision of full educational opportunities to children with disabilities at the preschool, elementary and secondary levels.

Vocational Education Fund

To account for grant monies to be used for the development of vocational education programs.

State Fiscal Stabilization Fund

To account for federal revenues received from the American Recovery and Reinvestment Act (ARRA) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because there are no assets or liabilities and there was no activity during the year.)

Title II-D Technology Fund

To account for federal revenues received to be used for technology. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Title I Fund

To account for federal revenues received to meet the special needs of educationally deprived children.

Improving Teacher Quality Fund

To account for federal monies received which are used to hire additional classroom teachers in grades 1 through 3, so that the number of students per teacher will be reduced.

HEATH CITY SCHOOL DISTRICT

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Improvement Fund

To account for financial resources to be used for the acquisition of major capital assets.

Building Fund

To account for the acquisition, construction and improvement of capital facilities as authorized by Chapter 5705 of the Ohio Revised Code.

HEATH CITY SCHOOL DISTRICT

***Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012***

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 157,978	\$ 719,787	\$ 877,765
Receivables:			
Taxes	0	200,633	200,633
Intergovernmental	48,181	0	48,181
Inventory	16,382	0	16,382
Prepaid Items	11,472	0	11,472
Total Assets	\$ 234,013	\$ 920,420	\$ 1,154,433
Liabilities:			
Accounts Payable	\$ 336	\$ 790	\$ 1,126
Accrued Wages and Benefits	98,273	0	98,273
Intergovernmental Payable	19,182	0	19,182
Deferred Revenue - Taxes	0	191,153	191,153
Deferred Revenue	48,181	0	48,181
Total Liabilities	165,972	191,943	357,915
Fund Balances:			
Nonspendable	27,854	0	27,854
Restricted	61,442	728,477	789,919
Unassigned	(21,255)	0	(21,255)
Total Fund Balances	68,041	728,477	796,518
Total Liabilities and Fund Balances	\$ 234,013	\$ 920,420	\$ 1,154,433

HEATH CITY SCHOOL DISTRICT

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

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Local Sources:			
Taxes	\$ 0	\$ 174,177	\$ 174,177
Food Services	241,808	0	241,808
Investment Earnings	205	4,638	4,843
Extracurricular Activities	87,820	0	87,820
Intergovernmental - State	17,044	46,767	63,811
Intergovernmental - Federal	836,314	0	836,314
All Other Revenue	46,630	0	46,630
Total Revenue	<u>1,229,821</u>	<u>225,582</u>	<u>1,455,403</u>
Expenditures:			
Current:			
Instruction	454,551	202,111	656,662
Supporting Services:			
Instructional Staff	19,860	0	19,860
Administration	132,809	0	132,809
Fiscal Services	165	2,743	2,908
Central	8,300	0	8,300
Operation of Non-Instructional Services:			
Community Services	6,117	0	6,117
Food Service Operations	559,411	0	559,411
Other	1,900	0	1,900
Extracurricular Activities	97,125	0	97,125
Capital Outlay	0	100	100
Total Expenditures	<u>1,280,238</u>	<u>204,954</u>	<u>1,485,192</u>
Excess (Deficiency) of Revenues Over Expenditures	(50,417)	20,628	(29,789)
Fund Balances at Beginning of Year	124,365	707,849	832,214
Decrease in Inventory Reserve	(5,907)	0	(5,907)
Fund Balances End of Year	<u>\$ 68,041</u>	<u>\$ 728,477</u>	<u>\$ 796,518</u>

HEATH CITY SCHOOL DISTRICT

***Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012***

	Food Service	Other Grants	District Managed Student Activity	Auxiliary Services
Assets:				
Cash and Cash Equivalents	\$ 74,456	\$ 1,489	\$ 45,726	\$ 132
Receivables:				
Intergovernmental	0	0	0	0
Inventory	16,382	0	0	0
Prepaid Items	11,472	0	0	0
Total Assets	\$ 102,310	\$ 1,489	\$ 45,726	\$ 132
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 65	\$ 0
Accrued Wages and Benefits	48,730	0	0	0
Intergovernmental Payable	19,182	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	67,912	0	65	0
Fund Balances:				
Nonspendable	27,854	0	0	0
Restricted	6,544	1,489	45,661	132
Unassigned	0	0	0	0
Total Fund Balances (Deficit)	34,398	1,489	45,661	132
Total Liabilities and Fund Balances	\$ 102,310	\$ 1,489	\$ 45,726	\$ 132

HEATH CITY SCHOOL DISTRICT

Management Information System	Title VI-B	Vocational Education	Title I	Improving Teacher Quality	Total Nonmajor Special Revenue Funds
\$ 7,000	\$ 13,087	\$ 396	\$ 15,472	\$ 220	\$ 157,978
0	28,353	0	11,077	8,751	48,181
0	0	0	0	0	16,382
0	0	0	0	0	11,472
<u>\$ 7,000</u>	<u>\$ 41,440</u>	<u>\$ 396</u>	<u>\$ 26,549</u>	<u>\$ 8,971</u>	<u>\$ 234,013</u>
\$ 0	\$ 0	\$ 0	\$ 271	\$ 0	\$ 336
0	24,987	0	24,556	0	98,273
0	0	0	0	0	19,182
0	28,353	0	11,077	8,751	48,181
0	53,340	0	35,904	8,751	165,972
0	0	0	0	0	27,854
7,000	0	396	0	220	61,442
0	(11,900)	0	(9,355)	0	(21,255)
<u>7,000</u>	<u>(11,900)</u>	<u>396</u>	<u>(9,355)</u>	<u>220</u>	<u>68,041</u>
<u>\$ 7,000</u>	<u>\$ 41,440</u>	<u>\$ 396</u>	<u>\$ 26,549</u>	<u>\$ 8,971</u>	<u>\$ 234,013</u>

HEATH CITY SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012**

	Food Service	Other Grants	District Managed Student Activity	Auxiliary Services
Revenues:				
Local Sources:				
Food Services	\$ 241,808	\$ 0	\$ 0	\$ 0
Investment Earnings	129	0	76	0
Extracurricular Activities	0	0	87,820	0
Intergovernmental - State	5,708	0	0	4,136
Intergovernmental - Federal	261,782	0	0	0
All Other Revenue	17,982	2,142	26,506	0
Total Revenue	527,409	2,142	114,402	4,136
Expenditures:				
Current:				
Instruction	0	0	0	0
Supporting Services:				
Instructional Staff	0	0	0	0
Administration	0	0	0	0
Fiscal Services	0	0	0	165
Central	0	0	0	0
Operation of Non-Instructional Services:				
Community Services	0	0	0	6,117
Food Service Operations	559,411	0	0	0
Other	0	1,900	0	0
Extracurricular Activities	0	0	97,125	0
Total Expenditures	559,411	1,900	97,125	6,282
Excess (Deficiency) of Revenues				
Over Expenditures	(32,002)	242	17,277	(2,146)
Fund Balances at Beginning of Year	72,307	1,247	28,384	2,278
Decrease in Inventory Reserve	(5,907)	0	0	0
Fund Balances End of Year	\$ 34,398	\$ 1,489	\$ 45,661	\$ 132

HEATH CITY SCHOOL DISTRICT

Management Information System	Data Communication	SchoolNet Professional Development	Education Jobs	Title VI-B	Vocational Education
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	7,200	0	0	0
0	0	0	28,144	303,938	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>7,200</u>	<u>28,144</u>	<u>303,938</u>	<u>0</u>
0	0	0	33,299	189,114	0
0	0	0	0	199	0
0	0	0	0	132,809	0
0	0	0	0	0	0
0	1,100	7,200	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>1,100</u>	<u>7,200</u>	<u>33,299</u>	<u>322,122</u>	<u>0</u>
0	(1,100)	0	(5,155)	(18,184)	0
7,000	1,100	0	5,155	6,284	396
0	0	0	0	0	0
<u>\$ 7,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (11,900)</u>	<u>\$ 396</u>

(Continued)

HEATH CITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Fiscal Year Ended June 30, 2012

	Title II-D Technology	Title I	Improving Teacher Quality	Total Nonmajor Special Revenue Funds
Revenues:				
Local Sources:				
Food Services	\$ 0	\$ 0	\$ 0	\$ 241,808
Investment Earnings	0	0	0	205
Extracurricular Activities	0	0	0	87,820
Intergovernmental - State	0	0	0	17,044
Intergovernmental - Federal	1,622	226,354	14,474	836,314
All Other Revenue	0	0	0	46,630
Total Revenue	<u>1,622</u>	<u>226,354</u>	<u>14,474</u>	<u>1,229,821</u>
Expenditures:				
Current:				
Instruction	0	232,138	0	454,551
Supporting Services:				
Instructional Staff	1,622	3,571	14,468	19,860
Administration	0	0	0	132,809
Fiscal Services	0	0	0	165
Central	0	0	0	8,300
Operation of Non-Instructional Services:				
Community Services	0	0	0	6,117
Food Service Operations	0	0	0	559,411
Other	0	0	0	1,900
Extracurricular Activities	0	0	0	97,125
Total Expenditures	<u>1,622</u>	<u>235,709</u>	<u>14,468</u>	<u>1,280,238</u>
Excess (Deficiency) of Revenues				
Over Expenditures	0	(9,355)	6	(50,417)
Fund Balances at Beginning of Year	0	0	214	124,365
Decrease in Inventory Reserve	0	0	0	(5,907)
Fund Balances End of Year	<u>\$ 0</u>	<u>\$ (9,355)</u>	<u>\$ 220</u>	<u>\$ 68,041</u>



HEATH CITY SCHOOL DISTRICT

***Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2012***

	Permanent Improvement	Building	Total Nonmajor Capital Projects Funds
Assets:			
Cash and Cash Equivalents	\$ 684,959	\$ 34,828	\$ 719,787
Receivables:			
Taxes	200,633	0	200,633
Total Assets	<u>\$ 885,592</u>	<u>\$ 34,828</u>	<u>\$ 920,420</u>
Liabilities:			
Accounts Payable	\$ 790	\$ 0	\$ 790
Deferred Revenue - Taxes	191,153	0	191,153
Total Liabilities	<u>191,943</u>	<u>0</u>	<u>191,943</u>
Fund Balances:			
Restricted	693,649	34,828	728,477
Total Fund Balances	<u>693,649</u>	<u>34,828</u>	<u>728,477</u>
Total Liabilities and Fund Balances	<u>\$ 885,592</u>	<u>\$ 34,828</u>	<u>\$ 920,420</u>

HEATH CITY SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2012**

	Permanent Improvement	Building	Total Nonmajor Capital Projects Funds
Revenues:			
Local Sources:			
Taxes	\$ 174,177	\$ 0	\$ 174,177
Investment Earnings	4,464	174	4,638
Intergovernmental - State	46,767	0	46,767
Total Revenue	225,408	174	225,582
Expenditures:			
Current:			
Instruction	202,111	0	202,111
Supporting Services:			
Fiscal Services	2,743	0	2,743
Capital Outlay	0	100	100
Total Expenditures	204,854	100	204,954
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	20,554	74	20,628
Fund Balances at Beginning of Year	673,095	34,754	707,849
Fund Balances End of Year	\$ 693,649	\$ 34,828	\$ 728,477

HEATH CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Debt Service Fund – Bond Retirement Fund
For the Fiscal Year Ended June 30, 2012***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,167,620	\$ 1,167,524	\$ (96)
Intergovernmental - State	230,140	230,120	(20)
Total Revenues	1,397,760	1,397,644	(116)
Expenditures:			
Current:			
Support Services:			
Fiscal Services	17,175	17,173	2
Total Support Services	17,175	17,173	2
Debt Service:			
Principal Retirement	815,000	815,000	0
Interest and Fiscal Charges	485,942	485,942	0
Total Debt Service	1,300,942	1,300,942	0
Total Expenditures	1,318,117	1,318,115	2
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	79,643	79,529	(114)
Fund Balance at Beginning of Year			
	963,236	963,236	0
Fund Balance at End of Year	\$ 1,042,879	\$ 1,042,765	\$ (114)

HEATH CITY SCHOOL DISTRICT

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

FOOD SERVICE FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Food Services	\$ 242,000	\$ 241,808	\$ (192)
Investment Earnings	200	129	(71)
Intergovernmental - State	5,800	5,708	(92)
Intergovernmental - Federal	211,645	211,635	(10)
All Other Revenues	<u>18,350</u>	<u>17,982</u>	<u>(368)</u>
Total Revenues	<u>477,995</u>	<u>477,262</u>	<u>(733)</u>
Expenditures:			
Non-Instructional Services:			
Food Service Operations	<u>514,870</u>	<u>508,318</u>	<u>6,552</u>
Total Expenditures	<u>514,870</u>	<u>508,318</u>	<u>6,552</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,875)	(31,056)	5,819
Fund Balance at Beginning of Year	104,427	104,427	0
Prior Year Encumbrances	<u>1,085</u>	<u>1,085</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 68,637</u>	<u>\$ 74,456</u>	<u>\$ 5,819</u>

HEATH CITY SCHOOL DISTRICT

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

UNIFORM SCHOOL SUPPLY FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Class Materials and Fees	\$ 65,642	\$ 64,454	\$ (1,188)
All Other Revenues	200	200	0
Total Revenues	<u>65,842</u>	<u>64,654</u>	<u>(1,188)</u>
Expenditures:			
Instructional Services	<u>52,363</u>	<u>52,097</u>	266
Total Expenditures	<u>52,363</u>	<u>52,097</u>	266
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,479	12,557	(922)
Fund Balance at Beginning of Year	49,205	49,205	0
Prior Year Encumbrances	<u>3,127</u>	<u>3,127</u>	0
Fund Balance at End of Year	<u>\$ 65,811</u>	<u>\$ 64,889</u>	<u>\$ (922)</u>

HEATH CITY SCHOOL DISTRICT

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

ROTARY FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 20	\$ 11	\$ (9)
All Other Revenues	7,800	7,731	(69)
Total Revenues	7,820	7,742	(78)
Expenditures:			
Instructional Services	6,975	6,941	34
Total Expenditures	6,975	6,941	34
Excess (Deficiency) of Revenues Over (Under) Expenditures	845	801	(44)
Fund Balance at Beginning of Year	11,014	11,014	0
Prior Year Encumbrances	535	535	0
Fund Balance at End of Year	\$ 12,394	\$ 12,350	\$ (44)

HEATH CITY SCHOOL DISTRICT

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

PUBLIC SCHOOL SUPPORT FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 156,026	\$ 155,978	\$ (48)
Total Revenues	156,026	155,978	(48)
Expenditures:			
Support Services:			
Pupils	175,315	174,837	478
Instructional Staff	14,298	14,272	26
Central	3,845	3,509	336
Total Expenditures	193,458	192,618	840
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,432)	(36,640)	792
Fund Balance at Beginning of Year	69,713	69,713	0
Prior Year Encumbrances	9,293	9,293	0
Fund Balance at End of Year	\$ 41,574	\$ 42,366	\$ 792

HEATH CITY SCHOOL DISTRICT

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
OTHER GRANTS FUND			
Revenues:			
All Other Revenues	\$ 2,142	\$ 2,142	\$ 0
Total Revenues	<u>2,142</u>	<u>2,142</u>	<u>0</u>
Expenditures:			
Non-Instructional Services:			
Other	<u>2,142</u>	<u>1,900</u>	<u>242</u>
Total Expenditures	<u>2,142</u>	<u>1,900</u>	<u>242</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	242	242
Fund Balance at Beginning of Year	<u>1,247</u>	<u>1,247</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,247</u>	<u>\$ 1,489</u>	<u>\$ 242</u>

HEATH CITY SCHOOL DISTRICT

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

DISTRICT MANAGED STUDENT ACTIVITY FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 120	\$ 76	\$ (44)
Extracurricular Activities	87,950	87,820	(130)
All Other Revenues	<u>26,500</u>	<u>26,506</u>	<u>6</u>
Total Revenues	<u>114,570</u>	<u>114,402</u>	<u>(168)</u>
Expenditures:			
Extracurricular Activities	<u>105,457</u>	<u>100,896</u>	<u>4,561</u>
Total Expenditures	<u>105,457</u>	<u>100,896</u>	<u>4,561</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,113	13,506	4,393
Fund Balance at Beginning of Year	22,118	22,118	0
Prior Year Encumbrances	<u>6,687</u>	<u>6,687</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 37,918</u>	<u>\$ 42,311</u>	<u>\$ 4,393</u>

HEATH CITY SCHOOL DISTRICT

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

AUXILIARY SERVICES FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental - State	\$ 4,150	\$ 4,136	\$ (14)
Total Revenues	4,150	4,136	(14)
Expenditures:			
Support Services:			
Fiscal Services	165	165	0
Community Services	6,249	6,243	6
Total Expenditures	6,414	6,408	6
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,264)	(2,272)	(8)
Fund Balance at Beginning of Year	2,243	2,243	0
Prior Year Encumbrances	35	35	0
Fund Balance at End of Year	\$ 14	\$ 6	\$ (8)

HEATH CITY SCHOOL DISTRICT

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

MANAGEMENT INFORMATION SYSTEM FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	7,000	7,000	0
Fund Balance at End of Year	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 0</u>

HEATH CITY SCHOOL DISTRICT

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

DATA COMMUNICATION FUND			Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Support Services:			
Central	1,100	1,100	0
Total Expenditures	1,100	1,100	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,100)	(1,100)	0
Fund Balance at Beginning of Year	1,100	1,100	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0

HEATH CITY SCHOOL DISTRICT

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

SCHOOLNET PROFESSIONAL DEVELOPMENT FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental - State	\$ 7,200	\$ 7,200	\$ 0
Total Revenues	7,200	7,200	0
Expenditures:			
Support Services:			
Central	7,200	7,200	0
Total Expenditures	7,200	7,200	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0

HEATH CITY SCHOOL DISTRICT

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

EDUCATION JOBS FUND			Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u></u>
Revenues:			
Intergovernmental - Federal	\$ 57,468	\$ 57,468	\$ 0
Total Revenues	<u>57,468</u>	<u>57,468</u>	<u>0</u>
Expenditures:			
Instructional Services	<u>67,453</u>	<u>67,453</u>	<u>0</u>
Total Expenditures	<u>67,453</u>	<u>67,453</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,985)	(9,985)	0
Fund Balance at Beginning of Year	<u>9,985</u>	<u>9,985</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

HEATH CITY SCHOOL DISTRICT

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

TITLE VI-B FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental - Federal	\$ 337,232	\$ 337,232	\$ 0
Total Revenues	337,232	337,232	0
Expenditures:			
Instructional Services	240,255	219,917	20,338
Support Services:			
Instructional Staff	8,656	1,049	7,607
Admininstration	145,510	132,866	12,644
Total Expenditures	394,421	353,832	40,589
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(57,189)	(16,600)	40,589
Fund Balance at Beginning of Year	28,837	28,837	0
Fund Balance at End of Year	\$ (28,352)	\$ 12,237	\$ 40,589

HEATH CITY SCHOOL DISTRICT

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

VOCATIONAL EDUCATION FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	396	396	0
Fund Balance at End of Year	<u>\$ 396</u>	<u>\$ 396</u>	<u>\$ 0</u>

HEATH CITY SCHOOL DISTRICT

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Instructional Services	<u>15,152</u>	<u>15,152</u>	<u>0</u>
Total Expenditures	<u>15,152</u>	<u>15,152</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,152)	(15,152)	0
Fund Balance at Beginning of Year	<u>15,152</u>	<u>15,152</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

HEATH CITY SCHOOL DISTRICT

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

TITLE II-D TECHNOLOGY FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental - Federal	\$ 1,622	\$ 1,622	\$ 0
Total Revenues	<u>1,622</u>	<u>1,622</u>	<u>0</u>
Expenditures:			
Support Services:			
Instructional Staff	<u>1,622</u>	<u>1,622</u>	<u>0</u>
Total Expenditures	<u>1,622</u>	<u>1,622</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

HEATH CITY SCHOOL DISTRICT

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

TITLE I FUND			Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Intergovernmental - Federal	\$ 241,208	\$ 241,208	\$ 0
Total Revenues	<u>241,208</u>	<u>241,208</u>	<u>0</u>
Expenditures:			
Instructional Services	247,811	222,436	25,375
Support Services:			
Instructional Staff	<u>4,473</u>	<u>3,571</u>	<u>902</u>
Total Expenditures	<u>252,284</u>	<u>226,007</u>	<u>26,277</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,076)	15,201	26,277
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (11,076)</u>	<u>\$ 15,201</u>	<u>\$ 26,277</u>

HEATH CITY SCHOOL DISTRICT

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

IMPROVING TEACHER QUALITY FUND			Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Intergovernmental - Federal	\$ 14,474	\$ 14,474	\$ 0
Total Revenues	14,474	14,474	0
Expenditures:			
Support Services:			
Instructional Staff	23,499	14,528	8,971
Total Expenditures	23,499	14,528	8,971
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,025)	(54)	8,971
Fund Balance at Beginning of Year	274	274	0
Fund Balance at End of Year	\$ (8,751)	\$ 220	\$ 8,971

HEATH CITY SCHOOL DISTRICT

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

PERMANENT IMPROVEMENT FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Local Sources:			
Taxes	\$ 188,165	\$ 188,147	\$ (18)
Investment Earnings	4,617	4,464	(153)
Intergovernmental - State	46,810	46,767	(43)
Total Revenues	239,592	239,378	(214)
Expenditures:			
Instructional Services	245,995	209,149	36,846
Support Services:			
Fiscal Services	2,750	2,743	7
Capital Outlay	80	0	80
Total Expenditures	248,825	211,892	36,933
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,233)	27,486	36,719
Fund Balance at Beginning of Year	621,985	621,985	0
Prior Year Encumbrances	29,860	29,860	0
Fund Balance at End of Year	\$ 642,612	\$ 679,331	\$ 36,719

HEATH CITY SCHOOL DISTRICT

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 175	\$ 174	\$ (1)
Total Revenues	<u>175</u>	<u>174</u>	<u>(1)</u>
Expenditures:			
Capital Outlay	<u>100</u>	<u>100</u>	<u>0</u>
Total Expenditures	<u>100</u>	<u>100</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	75	74	(1)
Fund Balance at Beginning of Year	<u>34,754</u>	<u>34,754</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 34,829</u>	<u>\$ 34,828</u>	<u>\$ (1)</u>

HEATH CITY SCHOOL DISTRICT

Fiduciary Fund

Fiduciary fund types are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Fund

Student Managed Activity Fund

To account for resources that belong to the student bodies of the various schools for sales and other revenue generating activities.

HEATH CITY SCHOOL DISTRICT

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>Student Managed Activity Fund</u>				
Assets:				
Cash and Cash Equivalents	\$45,463	\$93,271	(\$97,521)	\$41,213
Total Assets	<u>\$45,463</u>	<u>\$93,271</u>	<u>(\$97,521)</u>	<u>\$41,213</u>
Liabilities:				
Due to Students	\$45,463	\$93,271	(\$97,521)	\$41,213
Total Liabilities	<u>\$45,463</u>	<u>\$93,271</u>	<u>(\$97,521)</u>	<u>\$41,213</u>



STATISTICAL SECTION



HEATH CITY SCHOOL DISTRICT

STATISTICAL TABLES

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends	S 2 – S 13
These schedules contain trend information to help the reader understand how the District's financial position has changed over time.	
Revenue Capacity	S 14 – S 21
These schedules contain information to help the reader understand and assess the factors affecting the District's ability to generate its most significant local revenue sources, property taxes.	
Debt Capacity	S 22 – S 29
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Economic and Demographic Information	S 30 – S 33
These schedules offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 34 – S 45
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources Note:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

Heath City School District

*Net Assets by Component
Last Nine Years
(accrual basis of accounting)*

	2004	2005	2006	2007
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$3,565,368	\$2,416,171	\$1,993,183	\$2,893,470
Restricted for:				
Capital Projects	55,330	1,037,247	887,506	728,676
Debt Service	72,953	83,212	491,354	554,425
Statutory Purposes	0	0	0	0
Federal and State Grant Programs	0	0	0	0
Other Purposes	410,008	344,480	351,893	518,892
Unrestricted	600,253	856,624	705,539	(495,432)
Total Governmental Activities Net Assets	<u>\$4,703,912</u>	<u>\$4,737,734</u>	<u>\$4,429,475</u>	<u>\$4,200,031</u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	\$3,565,368	\$2,416,171	\$1,993,183	\$2,893,470
Restricted	538,291	1,464,939	1,730,753	1,801,993
Unrestricted	600,253	856,624	705,539	(495,432)
Total Primary Government Net Assets	<u>\$4,703,912</u>	<u>\$4,737,734</u>	<u>\$4,429,475</u>	<u>\$4,200,031</u>

* Restated

Source: District Treasurer's Office

Heath City School District

2008	2009	2010	2011	2012
	*			
\$2,834,908	\$2,811,504	\$2,693,125	\$2,630,860	\$2,239,306
887,090	800,073	829,813	719,231	738,118
720,704	855,590	1,072,423	1,054,061	1,128,253
0	0	0	0	140,760
0	0	0	0	36,153
759,384	1,006,293	815,061	1,235,344	0
(160,090)	(206,364)	(246,538)	(1,193,673)	(1,279,996)
<u>\$5,041,996</u>	<u>\$5,267,096</u>	<u>\$5,163,884</u>	<u>\$4,445,823</u>	<u>\$3,002,594</u>
\$2,834,908	\$2,811,504	\$2,693,125	\$2,630,860	\$2,239,306
2,367,178	2,661,956	2,717,297	3,008,636	2,043,284
(160,090)	(206,364)	(246,538)	(1,193,673)	(1,279,996)
<u>\$5,041,996</u>	<u>\$5,267,096</u>	<u>\$5,163,884</u>	<u>\$4,445,823</u>	<u>\$3,002,594</u>

Heath City School District

*Changes in Net Assets
Last Nine Years
(accrual basis of accounting)*

	2004	2005	2006	2007
Expenses				
Governmental Activities:				
Instruction	\$7,420,592	\$8,091,647	\$8,505,200	\$8,926,735
Support Services:				
Pupils	670,516	829,084	816,256	799,648
Instructional Staff	444,965	468,106	560,388	414,699
Board of Education	13,610	11,468	8,668	9,322
Administration	1,195,387	1,194,699	1,259,854	1,267,292
Fiscal Services	465,977	508,518	497,666	529,640
Business	33,354	18,637	25,163	32,881
Operation and Maintenance of Plant	1,067,835	1,214,728	1,240,473	1,398,886
Pupil Transportation	393,860	477,979	549,559	575,485
Central	220,088	221,434	208,089	237,093
Operation of Non-Instructional Services				
Community Services	4,576	7,582	4,458	6,483
Food Service Operations	470,482	493,570	511,037	550,878
Other	0	0	0	0
Extracurricular Activities	455,412	537,875	557,110	598,363
Interest and Fiscal Charges	972,786	982,861	710,537	939,196
<i>Total Primary Government Expenses</i>	<u>\$13,829,440</u>	<u>\$15,058,188</u>	<u>\$15,454,458</u>	<u>\$16,286,601</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
Instruction	\$193,636	\$169,393	\$168,744	\$217,244
Support Services:				
Pupils	29,604	35,712	46,813	36,026
Operation of Non-Instructional Services				
Food Service Operations	280,018	281,668	300,649	291,284
Extracurricular Activities	63,930	74,588	79,875	97,200
Operating Grants and Contributions	664,410	788,301	841,478	849,020
Capital Grants and Contributions	0	15,225	52,500	0
<i>Total Governmental Activities</i>				
<i>Program Revenues</i>	<u>1,231,598</u>	<u>1,364,887</u>	<u>1,490,059</u>	<u>1,490,774</u>

Heath City School District

2008	2009	2010	2011	2012
\$9,085,543	\$9,646,810	\$10,537,518	\$10,300,203	\$9,989,037
810,305	865,694	1,030,058	935,407	805,150
378,349	350,010	374,083	384,329	344,754
10,855	12,061	11,787	16,901	20,516
1,254,840	1,333,496	1,450,432	1,452,788	1,618,593
487,384	514,732	504,185	499,038	492,224
44,304	41,636	34,831	34,834	17,713
1,353,411	1,317,583	1,236,884	1,230,337	1,306,882
631,807	589,078	631,971	642,930	638,839
250,355	243,900	291,401	319,121	280,810
5,951	5,125	10,722	6,758	6,117
560,347	592,736	629,322	597,437	616,504
0	0	0	0	1,900
616,595	728,693	713,070	688,364	574,354
941,017	963,173	985,299	1,012,984	1,024,811
<u>\$16,431,063</u>	<u>\$17,204,727</u>	<u>\$18,441,563</u>	<u>\$18,121,431</u>	<u>\$17,738,204</u>
\$173,950	\$186,639	\$158,698	\$161,632	\$137,166
1,907	3,856	59,040	47,311	45,392
292,224	298,338	256,785	243,667	241,808
105,913	104,348	109,350	115,755	87,820
975,399	922,259	1,564,636	1,688,192	838,086
5,416	12,068	0	0	0
<u>1,554,809</u>	<u>1,527,508</u>	<u>2,148,509</u>	<u>2,256,557</u>	<u>1,350,272</u>

(Continued)

Heath City School District

*Changes in Net Assets
Last Nine Years
(accrual basis of accounting)*

	2004	2005	2006	2007
Net (Expense)/Revenue				
Governmental Activities	(12,597,842)	(13,693,301)	(13,964,399)	(14,795,827)
<i>Total Primary Government</i>				
<i>Net (Expense)/Revenue</i>	<u>(\$12,597,842)</u>	<u>(\$13,693,301)</u>	<u>(\$13,964,399)</u>	<u>(\$14,795,827)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes Levied for:				
General Purposes	\$6,677,199	\$6,835,401	\$6,834,368	\$7,012,225
Debt Service	1,256,149	1,249,782	1,280,030	1,435,903
Capital Outlay	82,124	114,458	114,438	128,674
Grants and Entitlements not				
Restricted to Specific Programs	4,523,677	4,627,830	4,964,161	5,410,791
Investment Earnings	23,310	85,559	161,987	223,690
Miscellaneous	278,957	535,774	301,156	355,100
<i>Total Primary Government</i>	<u>\$12,841,416</u>	<u>\$13,448,804</u>	<u>\$13,656,140</u>	<u>\$14,566,383</u>
<i>Special Item:</i>				
Gain on Sale of Capital Assets	0	1,299,371	0	0
Loss on Disposal of Capital Assets	(371,782)	0	0	0
Change in Net Assets				
Governmental Activities	(128,208)	1,054,874	(308,259)	(229,444)
<i>Total Primary Government</i>				
<i>Change in Net Assets</i>	<u>(\$128,208)</u>	<u>\$1,054,874</u>	<u>(\$308,259)</u>	<u>(\$229,444)</u>

* Restated

Source: District Treasurer's Office

Heath City School District

2008	2009	2010	2011	2012
	*			
(14,876,254)	(15,677,219)	(16,293,054)	(15,864,874)	(16,387,932)
<u>(\$14,876,254)</u>	<u>(\$15,677,219)</u>	<u>(\$16,293,054)</u>	<u>(\$15,864,874)</u>	<u>(\$16,387,932)</u>
\$7,716,065	\$7,530,679	\$7,924,272	\$6,934,888	\$6,981,958
1,351,190	1,234,411	1,332,583	1,090,509	1,161,817
212,373	198,766	207,989	196,460	172,436
5,871,413	6,331,894	6,198,597	6,391,572	6,098,286
189,225	84,071	19,132	11,449	9,489
377,953	522,498	507,269	521,935	520,717
<u>\$15,718,219</u>	<u>\$15,902,319</u>	<u>\$16,189,842</u>	<u>\$15,146,813</u>	<u>\$14,944,703</u>
0	0	0	0	0
0	0	0	0	0
841,965	225,100	(103,212)	(718,061)	(1,443,229)
<u>\$841,965</u>	<u>\$225,100</u>	<u>(\$103,212)</u>	<u>(\$718,061)</u>	<u>(\$1,443,229)</u>

Heath City School District

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2003	2004	2005	2006
General Fund				
Nonspendable	\$0	\$0	\$0	\$0
Restricted	0	0	0	0
Assigned	0	0	0	0
Unassigned	0	0	0	0
Reserved	871,544	1,058,231	1,087,811	1,040,193
Unreserved	(436,229)	15,056	164,873	21,354
<i>Total General Fund</i>	<u>435,315</u>	<u>1,073,287</u>	<u>1,252,684</u>	<u>1,061,547</u>
All Other Governmental Funds				
Nonspendable	0	0	0	0
Restricted	0	0	0	0
Unassigned	0	0	0	0
Reserved	183,823	185,735	244,300	734,089
Unreserved, Undesignated in:				
Special Revenue Funds	135,060	208,146	211,556	247,222
Debt Service Funds	(37,500)	0	0	0
Capital Projects Funds	35,155	24,036	954,517	663,834
<i>Total All Other Governmental Funds</i>	<u>316,538</u>	<u>417,917</u>	<u>1,410,373</u>	<u>1,645,145</u>
<i>Total Governmental Funds</i>	<u><u>\$751,853</u></u>	<u><u>\$1,491,204</u></u>	<u><u>\$2,663,057</u></u>	<u><u>\$2,706,692</u></u>

* Restated

Source: District Treasurer's Office

Note: The District implemented GASB 54 in 2011 which established new fund balance classifications for governmental funds.

Heath City School District

2007	2008	2009	2010	2011	2012
		*			
\$0	\$0	\$0	\$0	\$183,217	\$171,764
0	0	0	0	1,071,779	86,144
0	0	0	0	240,210	143,303
0	0	0	0	1,177,178	1,167,714
1,137,953	1,237,003	1,561,877	2,270,930	0	0
25,821	600,692	936,787	79,028	0	0
<u>1,163,774</u>	<u>1,837,695</u>	<u>2,498,664</u>	<u>2,349,958</u>	<u>2,672,384</u>	<u>1,568,925</u>
0	0	0	0	30,011	27,854
0	0	0	0	1,833,419	1,893,664
0	0	0	0	0	(21,255)
741,159	841,806	961,056	1,342,239	0	0
261,747	304,652	272,882	455,673	0	0
0	0	0	0	0	0
599,020	802,480	733,249	582,640	0	0
<u>1,601,926</u>	<u>1,948,938</u>	<u>1,967,187</u>	<u>2,380,552</u>	<u>1,863,430</u>	<u>1,900,263</u>
<u>\$2,765,700</u>	<u>\$3,786,633</u>	<u>\$4,465,851</u>	<u>\$4,730,510</u>	<u>\$4,535,814</u>	<u>\$3,469,188</u>

Heath City School District

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2003	2004	2005	2006
Revenues:				
Local Sources:				
Taxes	\$7,749,658	\$8,014,207	\$8,217,228	\$8,316,370
Tuition	111,934	108,289	88,595	78,323
Food Service	0	280,018	281,668	300,649
Investment Earnings	38,253	23,310	81,707	158,998
Extracurricular Activities	62,599	63,930	74,588	79,875
Class Materials and Fees	0	82,661	80,798	87,092
Intergovernmental - State	4,107,266	4,540,879	4,666,593	5,053,501
Intergovernmental - Federal	268,179	623,193	748,174	801,138
All Other Revenue	318,297	334,750	588,075	349,000
Total Revenue	<u>12,656,186</u>	<u>14,071,237</u>	<u>14,827,426</u>	<u>15,224,946</u>
Expenditures:				
Current:				
Instruction	6,361,749	6,877,822	7,581,623	7,818,644
Supporting Services:				
Pupils	606,857	645,741	809,485	819,120
Instructional Staff	320,171	410,181	417,740	503,159
Board of Education	18,195	13,610	11,468	8,668
Administration	1,009,182	1,077,687	1,162,291	1,218,226
Fiscal Services	405,747	460,016	496,274	494,041
Business	29,763	31,456	18,637	23,173
Operation and Maintenance of Plant	1,540,828	1,364,636	1,182,710	1,184,777
Pupil Transportation	430,318	350,581	434,537	708,790
Central	223,603	218,065	215,024	201,825
Operation of Non-Instructional Services				
Community Services	7,109	4,139	7,582	4,458
Food Service Operations (1)	0	438,548	473,144	471,141
Other	0	0	0	0
Extracurricular Activities	371,122	355,806	376,408	391,195
Other Expenditures	2,481	0	0	0
Capital Outlay	2,096,952	151,606	418,869	370,063
Debt Service:				
Principal Retirement	325,000	395,000	448,168	595,659
Interest and Fiscal Charges	946,098	929,204	921,912	776,485
Total Expenditures	<u>14,695,175</u>	<u>13,724,098</u>	<u>14,975,872</u>	<u>15,589,424</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,038,989)	347,139	(148,446)	(364,478)

Heath City School District

2007	2008	2009	2010	2011	2012
		*			
\$8,973,456	\$9,177,281	\$8,961,555	\$9,331,887	\$8,188,824	\$8,381,872
132,640	97,851	93,116	81,380	86,905	66,003
291,284	292,224	298,338	256,785	243,667	241,808
224,641	191,210	83,550	22,538	11,841	9,590
97,200	105,913	104,348	109,350	115,755	87,820
80,984	75,699	85,847	75,966	72,703	64,454
5,435,638	5,935,027	6,384,719	6,271,018	6,375,408	6,115,330
804,350	905,022	882,747	1,409,484	1,736,676	836,314
414,494	383,685	528,422	567,612	571,270	572,818
<u>16,454,687</u>	<u>17,163,912</u>	<u>17,422,642</u>	<u>18,126,020</u>	<u>17,403,049</u>	<u>16,376,009</u>

8,450,515	8,670,531	9,099,786	9,973,182	9,795,976	9,631,529
780,296	790,332	843,298	982,329	927,881	809,099
392,514	362,294	325,836	350,625	362,563	324,278
9,322	10,855	12,061	11,787	16,901	20,516
1,233,636	1,211,911	1,273,230	1,396,787	1,384,316	1,638,441
524,494	482,568	504,825	496,682	492,914	487,692
32,881	44,304	41,636	34,831	34,834	17,713
1,371,895	1,261,633	1,259,472	1,168,957	1,189,989	1,222,560
526,559	581,873	513,898	556,111	571,969	585,119
220,129	238,584	232,781	279,319	311,756	278,397
6,483	5,951	5,125	10,722	6,758	6,117
503,554	533,326	553,902	594,848	560,267	583,818
0	0	0	0	0	1,900
429,705	449,089	591,722	543,862	520,440	421,200
0	0	0	0	0	0
293,999	88,201	354,520	91,484	88,968	49,870
955,293	809,080	791,884	820,875	818,702	866,702
655,854	612,393	587,690	554,109	514,971	491,780
<u>16,387,129</u>	<u>16,152,925</u>	<u>16,991,666</u>	<u>17,866,510</u>	<u>17,599,205</u>	<u>17,436,731</u>

67,558 1,010,987 430,976 259,510 (196,156) (1,060,722)
 (Continued)

Heath City School District

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2003	2004	2005	2006
Other Financing Sources (Uses):				
Sale of Capital Assets	6,846	512	1,321,791	0
General Obligation Notes Issued	0	0	0	164,000
Premium on General Obligation Notes	0	0	0	5,798
Refunding General Obligation Bonds Issued	0	0	0	12,494,986
Premium on General Obligation Refunding Bond	0	0	0	1,275,918
Payment to Refunded Bond Escrow Agent	0	0	0	(13,533,778)
Other Financing Sources - Capital Leases	36,540	238,745	0	0
Transfers In	37,500	37,500	8,000	15,000
Transfers Out	(37,500)	(37,500)	(8,000)	(15,000)
Total Other Financing Sources (Uses)	<u>43,386</u>	<u>239,257</u>	<u>1,321,791</u>	<u>406,924</u>
Net Change in Fund Balance	<u>(\$1,995,603)</u>	<u>\$586,396</u>	<u>\$1,173,345</u>	<u>\$42,446</u>
 Debt Service as a Percentage of Noncapital Expenditures	 10.62%	 9.94%	 9.39%	 9.07%

(1) Food Service Operations were reclassified from Business-Type Activity to Governmental Activity in 2004 when the District implemented GASB 34.

* Restated

Source: District Treasurer's Office

Heath City School District

2007	2008	2009	2010	2011	2012
75	75	0	49	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	248,060	0	0	0
15,000	20,000	20,000	20,000	0	0
(15,000)	(20,000)	(20,000)	(20,000)	0	0
<u>75</u>	<u>75</u>	<u>248,060</u>	<u>49</u>	<u>0</u>	<u>0</u>
<u>\$67,633</u>	<u>\$1,011,062</u>	<u>\$679,036</u>	<u>\$259,559</u>	<u>(\$196,156)</u>	<u>(\$1,060,722)</u>
10.02%	8.84%	8.31%	7.71%	7.61%	7.81%

Heath City School District

Assessed Valuations and Estimated True Values of Taxable Property Last Ten Calendar Years

Tax year	<u>2002</u> **	<u>2003</u>	<u>2004</u>	<u>2005</u> *
Real Property				
Assessed	\$195,425,090	\$198,958,880	\$204,143,540	\$236,666,040
Actual	558,357,400	568,453,943	583,267,257	676,188,686
Public Utility				
Assessed	6,531,640	6,357,200	6,498,070	6,351,210
Actual	6,531,640	6,357,200	6,498,070	6,351,210
Tangible Personal Property				
Assessed	38,931,420	36,850,610	35,135,040	40,706,030
Actual	155,725,680	147,402,440	140,540,160	162,824,120
Total				
Assessed	240,888,150	242,166,690	245,776,650	283,723,280
Actual	720,614,720	722,213,583	730,305,487	845,364,016
Assessed Value as a Percentage of Actual Value	33.43%	33.53%	33.65%	33.56%
Total Direct Tax Rate	\$50.52	\$50.10	\$50.20	\$50.30

Source: Licking County Auditor

* Reappraisal

** Update

Presented on a calendar year basis because that is the manner in which the information is maintained by the County.

Assessed value of Real Property is at 35%, Assessed value of Public Utility is at 100% and Assessed Value of Tangible Personal Property is at 25% through 2005, at 18.75% for 2006, 12.5% for 2007, and 6.25% for 2008 and 0% for 2009. Additionally, telephone and telecommunications property was reclassified to general business personal property and assessed at 10% as of 2009 and 0% for 2010.

Heath City School District

2006	2007	2008 **	2009	2010	2011
\$236,780,990	\$243,057,770	\$244,538,400	\$243,252,830	\$243,524,570	\$246,409,720
676,517,114	694,450,771	698,681,143	695,008,086	695,784,486	704,027,771
6,463,400	5,352,300	5,906,570	5,787,400	6,265,120	6,342,490
6,463,400	5,352,300	5,906,570	5,787,400	6,265,120	6,342,490
23,227,380	23,843,800	510,015	536,600	0	0
123,879,360	190,750,400	8,160,240	5,366,000	0	0
266,471,770	272,253,870	250,954,985	249,576,830	249,789,690	252,752,210
806,859,874	890,553,471	712,747,953	706,161,486	702,049,606	710,370,261
33.03%	30.57%	35.21%	35.34%	35.58%	35.58%
\$49.06	\$54.60	\$55.08	\$55.70	\$55.62	\$55.70

Heath City School District

*Property Tax Rates of Direct and Overlapping Governments
(per \$1,000 of assessed value)
Last Ten Calendar Years*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Direct District Rates				
General Fund	44.50	44.50	44.50	44.50
Bond Retirement Fund	4.82	4.40	4.50	4.60
Permanent Improvement Fund	1.20	1.20	1.20	1.20
Total	<u>50.52</u>	<u>50.10</u>	<u>50.20</u>	<u>50.30</u>
Overlapping Rates				
City of Heath	5.40	5.40	5.40	5.40
Career and Technical Education Center	3.00	2.80	3.00	3.00
Licking County	7.20	7.20	7.20	7.40
Licking County Library	0.00	0.00	0.00	0.00

Ohio Revised Code Sections 5705.02 and 5705.07 require a vote of the people for any millage exceeding the "unvoted" or "inside" millage.

Source:

Licking County Auditor's Office
Licking County Treasurer's Office

Heath City School District

2006	2007	2008	2009	2010	2011
42.76	48.40	48.81	49.30	49.31	49.30
5.10	5.00	5.07	5.20	5.11	5.20
1.20	1.20	1.20	1.20	1.20	1.20
49.06	54.60	55.08	55.70	55.62	55.70
5.40	5.40	5.40	5.40	5.40	5.40
3.00	3.00	2.50	2.50	2.52	2.54
7.40	7.40	7.10	7.40	7.70	7.70
0.00	0.00	0.00	0.00	1.00	1.00



Heath City School District

*Principal Taxpayers
Real Estate Tax and Public Utilities Personal Property
Current Year and Nine Years Ago*

Name of Taxpayer	Nature of Business	Calendar Year 2011		
		Assessed Value	Rank	Percent of Total Assessed Value
Glimcher Properties Limited Partnership	Development	\$9,933,600	1	3.93%
Southgate Association Limited Partnership	Shopping Center	5,543,160	2	2.19%
Ohio Power Company	Utility Company - Electric	4,953,280	3	1.96%
Heath-Newark-Licking County Port Authority	Real Estate - Leasing	4,008,550	4	1.59%
Wal*Mart Stores, Inc.	Retail Store	2,807,670	5	1.11%
Cross Creek Limited Partnership	Shopping Center	2,614,120	6	1.03%
Inland Western Heath Southgate LLC	Shopping Center	2,571,800	7	1.02%
Kaiser Aluminum and Chemical Corporation	Aluminum Processing	2,427,780	8	0.96%
H&D Holding Company	Development	2,332,260	9	0.92%
Glenwood Apartments LLC	Apartments	2,136,820	10	0.85%
Subtotal		<u>39,329,040</u>		15.56%
All Others		<u>213,423,170</u>		84.44%
Total		<u><u>\$252,752,210</u></u>		<u>100.00%</u>

Name of Taxpayer	Nature of Business	Calendar Year 2002		
		Assessed Value	Rank	Percent of Total Assessed Value
Glimcher Properties Limited Partnership	Development	\$16,687,060	1	6.40%
Cross Creek Limited Partnership	Shopping Center	3,651,590	2	1.40%
Lowe's	Retail	3,407,820	3	1.31%
Southgate Association Limited Partnership	Shopping Center	3,375,230	4	1.29%
Ohio Power Company	Utility Company - Electric	3,271,920	5	1.25%
Heathwood Village Ltd Partnership	Apartments	3,097,820	6	1.19%
Heath-Newark-Licking County Port Authority	Real Estate - Leasing	3,001,570	7	1.15%
Kaiser Aluminum and Chemical Corporation	Aluminum Processing	2,594,060	8	0.99%
Rockwell/Meritor Heavy Vehicle System	Manufacturer	2,526,830	9	0.97%
Alltel Ohio, Inc.	Utility Company - Telephone	2,293,420	10	0.88%
Subtotal		<u>43,907,320</u>		16.83%
All Others		<u>216,834,210</u>		83.17%
Total		<u><u>\$260,741,530</u></u>		<u>100.00%</u>

Source: Licking County Auditor - Land and Buildings
Based on valuation of property in 2011 and 2002

Presented on a calendar year basis because that is the manner
in which the information is maintained by the County.

Heath City School District

*Property Tax Levies and Collections
Last Ten Years*

Collection Year	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total Tax Levy	\$8,111,945	\$9,449,244	\$9,516,753
Collections within the Fiscal Year of the Levy			
Current Tax Collections	7,264,837	8,456,846	8,321,361
Percent of Levy Collected	89.56%	89.50%	87.44%
Delinquent Tax Collections (1)	<u>175,228</u>	<u>128,238</u>	<u>327,818</u>
Total Tax Collections	7,440,065	8,585,084	8,649,179
Percent of Total Tax Collections To Tax Levy	91.72%	90.85%	90.88%
Accumulated Outstanding Delinquent Taxes	671,881	74,160	867,574
Percentage of Accumulated Delinquent Taxes to Total Tax Levy	8.28%	0.78%	9.12%

(1) The County does not identify delinquent tax collections by tax year.

Source: Licking County Auditor's Office

Presented on a calendar year basis because that is the manner
in which the information is maintained by the County.

Heath City School District

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$9,907,213	\$10,091,936	\$9,201,990	\$9,772,281	\$9,252,238	\$9,420,730	\$9,476,237
8,655,699	9,008,503	8,585,291	9,568,886	8,929,050	8,385,220	9,196,764
87.37%	89.26%	93.30%	97.92%	96.51%	89.01%	97.05%
<u>329,014</u>	<u>658,186</u>	<u>204,378</u>	<u>127,549</u>	<u>204,670</u>	<u>336,522</u>	<u>336,523</u>
8,984,713	9,666,689	8,789,669	9,696,435	9,133,720	8,721,742	9,533,287
90.69%	95.79%	95.52%	99.22%	98.72%	92.58%	100.60%
922,501	425,247	412,320	468,915	644,070	698,988	214,485
9.31%	4.21%	4.48%	4.80%	6.96%	7.42%	2.26%

Heath City School District

Ratio of Outstanding Debt By Type Last Ten Years

	2003	2004	2005	2006
Governmental Activities (1)				
Long-Term Notes Payable	\$630,000	\$475,000	\$320,000	\$294,000
General Obligation Bonds Payable	17,204,848	17,016,111	16,829,655	16,885,008
Capital Leases	101,022	228,434	185,266	139,607
Total Primary Government	<u>\$17,935,870</u>	<u>\$17,719,545</u>	<u>\$17,334,921</u>	<u>\$17,318,615</u>
Population (2)				
City of Heath	8,527	8,527	8,527	8,527
Outstanding Debt Per Capita	2,103	2,078	2,033	2,031
Income (3)				
Personal (in thousands)	236,701	239,745	249,347	260,150
Percentage of Personal Income	7.58%	7.39%	6.95%	6.66%

Sources:

- (1) District Treasurer's Office
- (2) US Bureau of Census of Population
- (3) US Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available by County, Total Personal Income is a calculation based on previous calendar year

Heath City School District

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$102,000	\$69,000	\$35,000	\$0	\$0	\$0
16,448,748	16,041,800	15,721,702	15,402,557	15,120,402	14,825,640
91,314	40,234	215,410	169,535	120,833	69,131
<u>\$16,642,062</u>	<u>\$16,151,034</u>	<u>\$15,972,112</u>	<u>\$15,572,092</u>	<u>\$15,241,235</u>	<u>\$14,894,771</u>
8,527	8,527	8,544	8,507	8,527	8,527
1,952	1,894	1,869	1,831	1,787	1,747
274,237	289,253	295,460	291,348	296,518	296,518
6.07%	5.58%	5.41%	5.34%	5.14%	5.02%

Heath City School District

Ratios of General Bonded Debt Outstanding Last Ten Years

Year	2003	2004	2005	2006
Population ⁽¹⁾	8,527	8,527	8,527	8,527
Assessed Value ⁽²⁾	240,888,150	242,166,690	245,776,650	283,723,280
General Bonded Debt ⁽³⁾				
General Obligation Bonds	17,204,848	17,016,111	16,829,655	16,885,008
Resources Available to Pay Principal ⁽⁴⁾	34,979	7,437	40,155	404,467
Net General Bonded Debt	17,169,869	17,008,674	16,789,500	16,480,541
Ratio of Net Bonded Debt to Assessed Value	7.13%	7.02%	6.83%	5.81%
Net Bonded Debt per Capita	2,013.59	1,994.68	1,968.98	1,932.75

Source:

(1) U.S. Bureau of Census of Population

(2) Licking County Auditor

(3) Includes all general obligation bonded debt supported by property taxes

(4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

Heath City School District

2007	2008	2009	2010	2011	2012
8,527	8,527	8,544	8,507	8,527	8,527
266,471,770	272,253,870	250,954,985	249,576,830	249,789,690	252,752,210
16,448,748	16,041,800	15,721,702	15,402,557	15,120,402	14,825,640
513,213	664,539	797,551	880,415	1,031,216	1,103,745
15,935,535	15,377,261	14,924,151	14,522,142	14,089,186	13,721,895
5.98%	5.65%	5.95%	5.82%	5.64%	5.43%
1,868.83	1,803.36	1,746.74	1,707.08	1,652.30	1,609.23



Heath City School District

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
June 30, 2012*

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Heath City School District</u>	<u>Amount Applicable to Heath City School District</u>
Direct:			
Heath City School District	\$13,721,895	100.00%	\$13,721,895
Overlapping:			
City of Heath	5,730,000	94.23%	5,399,379
Career and Technical Education Center	4,569,999	6.58%	300,706
Licking County	15,099,771	6.76%	<u>1,020,745</u>
		Subtotal	<u>6,720,830</u>
		Total	<u><u>\$20,442,725</u></u>

Source: Licking County and Fiscal Officers of Subdivision

Overlapping percentage was calculated by dividing each overlapping subdivision's assessed valuation within the City by the subdivision's total assessed valuation.

Heath City School District

Debt Limitations Last Ten Years

	2003	2004	2005	2006
Net Assessed Valuation	\$240,888,150	\$242,166,690	\$245,776,650	\$283,723,280
Legal Debt Limitation (%) ⁽¹⁾	9.00%	9.00%	9.00%	9.00%
Legal Debt Limitation (\$) ⁽¹⁾	21,679,934	21,795,002	22,119,899	25,535,095
Applicable District Debt Outstanding	17,604,818	17,316,111	17,029,655	17,119,008
Less: Applicable Debt Service Fund Amounts ⁽²⁾	(34,979)	(7,437)	(40,155)	(404,467)
Net Indebtedness Subject to Limitation	<u>17,569,839</u>	<u>17,308,674</u>	<u>16,989,500</u>	<u>16,714,541</u>
Overall Legal Debt Margin	<u>\$4,110,095</u>	<u>\$4,486,328</u>	<u>\$5,130,399</u>	<u>\$8,820,554</u>
Legal Debt Limitation (%) ⁽¹⁾	0.10%	0.10%	0.10%	0.10%
Legal Debt Limitation (\$) ⁽¹⁾	240,888	242,167	245,777	283,723
Applicable District Debt Outstanding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unvoted Legal Debt Margin	<u>\$240,888</u>	<u>\$242,167</u>	<u>\$245,777</u>	<u>\$283,723</u>
Legal Debt Limitation (%) ⁽¹⁾	0.90%	0.90%	0.90%	0.90%
Legal Debt Limitation (\$) ⁽¹⁾	2,167,993	2,179,500	2,211,990	2,553,510
Applicable District Debt Outstanding	<u>(230,000)</u>	<u>(175,000)</u>	<u>(120,000)</u>	<u>(60,000)</u>
Unvoted Energy Conservation Loans Legal Debt Margin	<u>\$1,937,993</u>	<u>\$2,004,500</u>	<u>\$2,091,990</u>	<u>\$2,493,510</u>

(1) Ohio Bond Law sets a limit of 9% for overall debt, 1/10 of 1% for unvoted debt, and 9/10 of 1% for energy conservation debt.

(2) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

Heath City School District

2007	2008	2009	2010	2011	2012
\$266,471,770	\$272,253,870	\$250,954,985	\$249,576,830	\$249,789,690	\$252,752,210
9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
23,982,459	24,502,848	22,585,949	22,461,915	22,481,072	22,747,699
16,550,748	16,110,800	15,756,702	15,402,557	15,120,402	14,825,640
(513,213)	(664,539)	(797,551)	(880,415)	(1,031,216)	(1,103,745)
<u>16,037,535</u>	<u>15,446,261</u>	<u>14,959,151</u>	<u>14,522,142</u>	<u>14,089,186</u>	<u>13,721,895</u>
<u>\$7,944,924</u>	<u>\$9,056,587</u>	<u>\$7,626,798</u>	<u>\$7,939,773</u>	<u>\$8,391,886</u>	<u>\$9,025,804</u>
0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
266,472	272,254	250,955	249,577	249,790	252,752
0	0	0	0	0	0
<u>\$266,472</u>	<u>\$272,254</u>	<u>\$250,955</u>	<u>\$249,577</u>	<u>\$249,790</u>	<u>\$252,752</u>
0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
2,398,246	2,450,285	2,258,595	2,246,191	2,248,107	2,274,770
0	0	0	0	0	0
<u>\$2,398,246</u>	<u>\$2,450,285</u>	<u>\$2,258,595</u>	<u>\$2,246,191</u>	<u>\$2,248,107</u>	<u>\$2,274,770</u>

Heath City School District

Demographic and Economic Statistics Last Ten Years

Calendar Year	2002	2003	2004	2005	2006
Population (1)					
City of Heath	8,527	8,527	8,527	8,527	8,527
Licking County	148,680	150,634	152,866	154,806	155,694
Income (2) (a)					
Total Personal (in thousands)	236,701	239,745	249,347	260,150	274,237
Per Capita	27,759	28,116	29,242	30,509	32,161
Unemployment Rate (3)					
Federal	5.8%	6.0%	5.5%	5.0%	4.6%
State	5.7%	6.1%	6.0%	5.9%	5.5%
Licking County	3.6%	6.0%	5.9%	5.8%	5.1%
Fiscal Year	2003	2004	2005	2006	2007
School Enrollment (4)					
Grades K - 2	363	377	382	382	358
Grades 3 - 5	365	377	375	429	434
Grades 6 - 8	438	410	402	412	418
Grades 9 - 12	457	424	421	458	484
JVS	58	53	63	39	45
Total	<u>1,681</u>	<u>1,641</u>	<u>1,643</u>	<u>1,720</u>	<u>1,739</u>

Sources:

- (1) US Bureau of Census of Population
- (2) US Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available by County (2011 not available), Total Personal Income is a calculation
- (3) State Department of Labor Statistics
- (4) District Treasurer's Office

Heath City School District

2007	2008	2009	2010	2011
8,527	8,544	8,507	8,527	8,527
155,694	156,183	158,488	166,492	166,983
289,253	295,460	291,348	296,518	296,518
33,922	34,581	34,248	34,774	34,774
4.6%	5.8%	9.3%	9.6%	8.9%
5.6%	6.6%	10.2%	10.1%	8.6%
5.2%	6.1%	9.3%	9.5%	8.0%
2008	2009	2010	2011	2012
379	382	370	345	325
435	432	398	384	364
395	436	416	437	422
487	472	445	431	430
47	53	52	55	56
<u>1,743</u>	<u>1,775</u>	<u>1,681</u>	<u>1,652</u>	<u>1,597</u>



Heath City School District

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2011	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	902	1
Super Wal-Mart Stores	Retail Sales	433	2
Arvin/Meritor	Manufacturing	379	3
Heath City Schools	Education	295	4
Kaiser Aluminum & Chemical Co.	Manufacturing	270	5
Heath Nursing Home	Health Care	230	6
Lowe's Home Center	Retail Sales	208	7
John Hinderer Honda	Retail Sales	182	8
Englefield Oil	Petroleum Products	149	9
JC Penney's	Retail Sales	149	10
Total		3,197	

Employer	Nature of Business	2002	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	997	1
Arvin/Meritor	Manufacturing	638	2
Kaiser Aluminum & Chemical Co.	Manufacturing	261	3
Wal-Mart Stores	Retail Sales	259	4
Heath Nursing Home	Health Care	213	5
Kroger	Retail/Grocery	201	6
Lowe's Home Center	Retail Sales	185	7
Englefield Oil	Petroleum Products	170	8
Heath City Schools	Education	166	9
Sears	Retail Sales	161	10
Total		3,251	

Sources: City of Heath. Presented on a calendar year basis because that is the manner in which the information is maintained by the City. Information for total City employment is not available.

Heath City School District

School District Employees by Type Last Ten Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Supervisory					
Instructional Administrators	2.00	2.00	2.00	2.00	2.00
Noninstructional Administrators	1.00	1.00	1.00	1.00	1.00
Principals	4.00	4.00	4.00	4.00	4.00
Assistant Principals	1.00	1.00	1.00	1.00	1.00
Instruction					
Classroom Teachers	105.00	104.00	106.00	106.00	105.00
Student Services					
Guidance Counselors	3.00	3.00	3.50	3.50	3.50
Psychologists	1.00	1.00	1.00	1.00	1.00
Librarians	2.00	2.00	2.00	2.00	2.00
Support Services					
Clerical/Secretaries	10.00	10.00	11.00	11.00	11.00
Tutors/Aides	6.00	6.00	6.00	6.00	6.00
Food Service	17.00	18.00	18.00	18.00	18.00
Maintenance/Grounds	9.00	9.00	9.00	9.00	9.00
Transportation	12.00	12.00	12.00	12.00	12.00
<i>Total Employees</i>	<u>173.00</u>	<u>173.00</u>	<u>176.50</u>	<u>176.50</u>	<u>175.50</u>

Method: 1.00 for each full-time, 0.50 for each part-time and 0.25 for each seasonal employee

Source: District Treasurer's Office

Heath City School District

2008	2009	2010	2011	2012
2.00	2.00	2.00	2.00	2.00
1.00	1.00	1.00	1.00	1.00
4.00	4.00	4.00	4.00	4.00
1.00	1.00	1.00	1.00	1.00
105.00	106.00	106.00	104.00	102.00
3.00	3.50	3.50	3.50	2.50
1.00	1.00	1.00	1.00	1.00
2.00	2.00	2.00	2.00	2.00
11.00	11.00	11.00	11.00	11.00
2.00	2.00	2.00	2.00	2.00
18.00	18.00	18.00	18.00	18.00
9.00	9.00	9.00	9.00	9.00
12.00	12.00	12.00	12.00	12.00
<u>171.00</u>	<u>172.50</u>	<u>172.50</u>	<u>170.50</u>	<u>167.50</u>

Heath City School District

Operating Indicators - Cost per Pupil Last Ten Years

Fiscal Year	2003	2004	2005	2006
Enrollment	1,681	1,641	1,643	1,720
Modified Accrual Basis				
Operating Expenditures (1)	14,695,175	13,724,098	14,975,872	15,589,424
Cost per Pupil	8,742	8,363	9,115	9,064
Percentage of Change	(43.3%)	(4.3%)	9.0%	(0.6%)
Accrual Basis (2)				
Expenses	N/A	12,856,654	14,087,070	14,743,921
Cost per Pupil	N/A	7,835	8,574	8,572
Percentage of Change	N/A	N/A	9.4%	(0.02%)
Teaching Staff	105	104	106	106

(1) Food Service Operations were reclassified from Business-Type Activity to Governmental Activity in 2004 when the District implemented GASB 34.

(2) Expenses exclude interest and fiscal charges

Source: District Treasurer's Office and Ohio Department of Education

N/A - Not Available

Heath City School District

2007	2008	2009	2010	2011	2012
1,739	1,743	1,775	1,681	1,652	1,597
16,387,129	16,152,925	16,991,666	17,866,510	17,599,205	17,436,731
9,423	9,267	9,573	10,629	10,653	10,918
4.0%	(1.7%)	3.3%	11.0%	0.2%	2.5%
15,347,405	15,490,046	16,241,554	17,456,264	17,108,447	16,713,393
8,825	8,887	9,150	10,384	10,356	10,465
2.96%	0.70%	2.96%	13.49%	(0.27%)	1.06%
105	105	106	106	104	93

Heath City School District

Operating Indicators by Function Last Ten Years

	2003	2004	2005	2006
Governmental Activities				
Pupils				
Enrollment	1,681	1,641	1,643	1,720
Graduates	97	102	105	107
Percent of Students with Disabilities	6.0%	5.9%	6.1%	6.6%
Board of Education				
Regularly scheduled board meetings per year	12	12	12	12
Administration				
School Attendance Rate	95.80%	95.60%	95.50%	95.90%
Fiscal Services				
Purchase Orders Processed	2,492	2,528	2,328	2,305
Checks Issued (non payroll)	2,496	2,523	2,512	2,591
Operation and Maintenance of Plant				
District Square Footage Maintained	288,868	288,868	288,868	291,068
District Square Miles Maintained	11.2	11.2	11.2	11.2
Pupil Transportation				
Average Daily Students Transported	1,247	1,254	1,140	1,147
Average Daily Bus Fleet Miles	753	847	887	898
Number of Buses	16	16	16	16
Operation of Noninstructional Services				
Food Service Operations				
Students Meals Served Annually	75,405	82,195	85,071	92,164
Percent of Free/Reduced Price Meals	16%	19%	22%	23%
Extracurricular Activities				
High School Varsity Teams	14	14	14	17

Source: District Treasurer's Office

N/A - Not Available

Heath City School District

2007	2008	2009	2010	2011	2012
1,739	1,743	1,775	1,681	1,652	1,597
110	105	113	110	122	116
6.8%	6.7%	6.3%	6.5%	6.7%	7.0%
12	12	12	12	12	12
95.90%	95.10%	96.10%	94.70%	95.40%	96.40%
2,161	2,054	2,149	2,067	2,114	2,116
2,330	2,269	2,316	1,583	2,266	2,242
291,068	291,068	291,068	291,068	291,068	291,068
11.2	11.2	11.2	11.2	11.2	11.2
1,147	1,147	1,189	1,188	1,195	1,162
898	898	901	901	901	901
16	16	16	16	16	16
93,174	155,431	156,800	156,982	146,579	145,932
24%	33%	39%	40%	41%	46%
17	17	17	17	17	17

Heath City School District

Operating Indicators - Teacher Base Salaries Last Ten Years

Fiscal Year	2003	2004	2005	2006	2007
Minimum Salary (1)	28,323	29,244	30,194	31,175	31,175
Maximum Salary (1)	62,311	64,337	66,428	68,585	68,585
District Average Salary	43,494	44,175	45,742	47,058	49,985
County Average Salary	42,473	44,590	45,638	46,289	47,110
State Average Salary	45,515	47,495	49,438	50,772	53,536

Source: District Treasurer's Office and Ohio Department of Education

N/A - Not available, the Ohio Department of Education only has data through 2011 available at this time.

Operating Indicators - Teacher by Education Last Ten Years

Fiscal Year	2003	2004	2005	2006	2007
Bachelor's Degree	18	13	14	11	10
Bachelor + 15	23	26	23	25	25
Master's Degree	48	48	50	50	49
Master's Degree + 15	9	10	10	11	12
Master's Degree + 30	7	7	9	9	9
Total	105	104	106	106	105

(1) In 2008, there was a freeze on salaries.

Source: District Treasurer's Office

Heath City School District

2008	2009	2010	2011	2012
31,175	32,213	33,286	33,286	33,286
68,585	69,258	71,565	71,565	71,565
50,768	51,571	54,130	54,823	N/A
49,633	49,961	51,707	51,585	N/A
53,410	54,656	55,958	56,715	N/A

2008	2009	2010	2011	2012
10	9	9	7	6
17	18	16	16	9
53	54	56	56	57
12	12	12	12	9
13	13	13	13	12
105	106	106	104	93

Heath City School District

Capital Asset Statistics by Building Last Ten Years

	2003	2004	2005	2006
Secondary				
Heath High School				
Square Footage	124,740	124,740	124,740	124,740
Capacity (students)	600	600	600	600
Enrollment	515	477	484	497
Middle				
Heath Middle School				
Square Footage	67,197	67,197	67,197	67,197
Capacity (students)	450	450	450	450
Enrollment	438	410	402	412
Elementary				
Stevenson Elementary School				
Square Footage	39,619	39,619	39,619	42,337
Capacity (students)	450	450	450	450
Enrollment	365	377	375	429
Garfield Elementary School				
Square Footage	44,112	44,112	44,112	44,112
Capacity (students)	420	420	420	450
Enrollment	363	377	382	382
All Other				
Central Administration Building				
Square Footage	2,400	2,400	2,400	2,400
Capacity	14	14	14	14
Staff	13	14	14	14
Bus Garage				
Square Footage	10,800	10,800	10,800	10,800
Capacity (Buses)	16	16	16	16

Source: District Treasurer's Office

Heath City School District

2007	2008	2009	2010	2011	2012
124,740	124,740	124,740	124,740	124,740	124,740
600	600	600	600	600	600
484	534	525	497	486	497
67,197	67,197	67,197	67,197	67,197	67,197
450	450	450	450	450	450
418	395	436	416	437	416
44,437	44,437	44,437	44,437	44,437	44,437
450	450	450	450	450	450
434	435	432	398	384	398
44,112	44,112	44,112	44,112	44,112	44,112
450	450	450	450	450	450
358	379	382	370	345	370
2,400	2,400	2,400	2,400	2,400	2,400
14	14	14	14	14	14
14	13	13	13	13	13
10,800	10,800	10,800	10,800	10,800	10,800
16	16	16	16	16	16

Heath City School District

Educational and Operating Statistics Last Ten Years

	2003	2004	2005	2006	2007
ACT Scores (Average)					
Heath	21.7	21.0	22.0	21.3	N/A
Ohio	21.4	21.4	21.4	21.5	21.6
National	20.8	20.9	20.9	21.1	21.2
Cost per Student (ODE) (1)					
Heath	6,968	6,997	7,318	8,107	8,138
Ohio (Average)	8,439	8,761	9,051	9,355	9,586
Cost to Educate a Graduate					
Heath	96,368	109,183	113,075	116,263	137,140
Ohio (Average)	79,747	84,129	88,133	89,779	99,365
Attendance Rate					
Heath	95.80%	95.60%	95.50%	95.90%	95.40%
Ohio (Average)	94.90%	95.30%	95.20%	94.10%	94.10%
Graduation Rate					
Heath	92.90%	91.00%	96.50%	96.20%	90.10%
Ohio (Average)	83.90%	84.30%	85.90%	86.20%	86.10%

Source:

District's Student Records and Ohio Department of Education

(1) ODE calculation is not based on GAAP financial reports

Heath City School District

2008	2009	2010	2011	2012
21.7	21.8	22.0	21.9	21.8
21.6	21.7	21.7	21.7	21.6
21.2	21.3	21.3	21.3	21.3
8,260	8,060	10,480	10,677	9,136
9,939	10,184	10,335	10,538	10,571
152,020	141,383	160,154	157,488	156,258
109,945	110,543	112,969	114,346	114,966
95.10%	95.20%	94.70%	95.40%	95.60%
94.20%	94.30%	94.30%	94.40%	94.20%
99.10%	93.70%	99.30%	96.50%	95.80%
86.20%	84.60%	83.00%	83.30%	83.80%

