



**Auditor of State
Betty Montgomery**

**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities the major fund and the aggregate remaining fund information of Finneytown Local District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Finneytown Local School District, Hamilton County, Ohio, as of June 30, 2004, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, for the fiscal year ended June 30, 2004, the District reclassified activity formerly reported in the enterprise funds and as a business type activity to special revenue funds and governmental activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards expenditures is required by U.S. office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. We subject the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

February 17, 2005

**FINNEYTOWN LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004
(Unaudited)**

The discussion and analysis of Finneytown Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets decreased \$1.83 million or 60.4 percent.
- General revenues accounted for \$14.82 million in revenue or 82.6 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.12 million or 17.4 percent of total revenues of \$17.94 million.
- Total assets of governmental activities increased by \$.12 million as taxes receivable increased by \$1.16 million while cash and other receivables decreased by \$.32 million.
- The District had \$19.77 million in expenses related to governmental activities; only \$3.12 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14.82 million were adequate to provide for these programs.
- As a major fund, the General Fund had \$14.03 million in revenues and \$16.10 million in expenditures. The General Fund's balance decreased from \$2.30 to \$.19 million.

Reporting the School District as a Whole

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity.

Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting

similar to the accounting used by private-sector corporations. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, current property tax laws, student enrollment trends, facility conditions, required educational programs and other factors in arriving at their conclusion regarding the overall health of the District.

In the *Statement of Net Assets* and the *Statement of Activities*, all of the District's programs and services are reported as Governmental Activities. Beginning in fiscal year 2004, the District reclassified Proprietary Activities from Business-Type Activities to Governmental Activities of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		
	<u>2003 Restated</u>	<u>2004</u>	<u>% Change</u>
Assets			
Current and Other Assets	\$11,947,721	\$12,782,484	6.99%
Capital Assets	<u>8,006,797</u>	<u>8,025,756</u>	<u>0.24%</u>
Total Assets	<u>\$19,954,518</u>	<u>\$20,808,240</u>	<u>4.28%</u>
Liabilities			
Long-Term Liabilities	\$8,952,277	\$9,380,920	4.79%
Other Liabilities	<u>8,172,740</u>	<u>10,306,256</u>	<u>26.11%</u>
Total Liabilities	<u>\$17,125,017</u>	<u>\$19,687,176</u>	<u>14.96%</u>
Net Assets Invested in			
Capital Assets Net of Debt	\$7,957,622	\$440,756	-94.46%
Restricted	1,461,004	1,279,195	-12.44%
Unrestricted	<u>(6,589,125)</u>	<u>(598,887)</u>	<u>-90.91%</u>
Total Net Assets	<u>\$2,829,501</u>	<u>\$1,121,064</u>	<u>-60.38%</u>

Total assets increased \$.85 million. Equity in pooled cash and cash equivalents decreased \$1.10 million. Taxes receivable increased \$1.16 million. Total liabilities increased \$2.56 million, resulting in a net asset decrease of \$1.71 million.

Table 2 shows the change in net assets for fiscal year 2004.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		
	<u>2003 Restated</u>	<u>2004</u>	<u>% Change</u>
Revenues			
Program Revenues:			
Charges for Services	\$738,534	\$759,274	2.81%
Operating Grants	2,169,666	2,350,076	8.32%
Capital Grants	11,810	6,083	-48.49%
General Revenue:			
Property Taxes	9,305,025	7,651,266	-17.77%
Grants and Entitlements	6,994,903	7,046,592	0.74%
Other	<u>320,191</u>	<u>126,531</u>	<u>-60.48%</u>
Total Revenues	<u>\$19,540,129</u>	<u>\$17,939,822</u>	<u>8.19%</u>

Table 2
Changes in Net Assets – (continued)

	Governmental Activities <u>2003 Restated</u>	Governmental Activities <u>2004</u>	<u>% Change</u>
Program Expenses:			
Instruction	9,485,241	9,652,414	1.76%
Support Services:			
Pupil and Instructional Staff	2,314,001	2,448,283	5.80%
School Administrative, General			
Administrative, Fiscal and Business	1,870,789	1,975,282	5.59%
Operations and Maintenance	1,523,663	1,701,194	11.65%
Pupil Transportation	519,551	689,106	32.63%
Central	408,543	378,417	-7.37%
Operation of Non-Instructional Services	1,712,824	1,958,672	14.35%
Extracurricular Activities	480,235	509,925	6.18%
Interest and Fiscal Charges	<u>456,711</u>	<u>456,596</u>	<u>-0.03%</u>
Total Expenses	<u>18,771,558</u>	<u>19,769,889</u>	<u>5.32%</u>
Increase in Net Assets	<u>\$768,571</u>	<u>(1,830,067)</u>	<u>-338.11%</u>

Governmental Activities

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

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up forty-three percent (43%) of revenue for governmental activities for the District in fiscal year 2004.

Instruction comprises forty-nine percent (49%) of governmental program expenses. Support services expenses were thirty-six percent (36%) of governmental program expenses. All other expenses, including interest expense, was fifteen percent (15%) of governmental program expenses. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

Table 3
Governmental Activities

	Total Cost of Services <u>2003 Restated</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2003 Restated</u>	Net Cost of Services <u>2004</u>	% Change in Net Cost
Instruction	\$9,485,241	\$9,652,414	8,850,740	\$9,042,257	2.16%
Support Services:					
Pupil and Instructional Staff	2,314,001	2,448,283	1,994,406	2,102,983	5.44%
Board, Administration, Fiscal and Business	1,870,789	1,975,282	1,679,777	1,746,914	4.00%
Operations and Maintenance	1,523,663	1,701,194	1,496,193	1,668,837	11.54%
Pupil Transportation	519,551	689,106	507,741	683,023	34.52%
Central	408,543	378,417	367,171	369,265	0.57%
Operation Non-Instruction Services	1,712,824	1,958,672	134,741	208,186	54.51%
Extracurricular Activities	480,235	509,925	364,068	376,395	3.39%
Interest and Fiscal Charges	<u>456,711</u>	<u>456,596</u>	<u>456,711</u>	<u>456,596</u>	<u>-0.03%</u>
Total Expenses	<u>\$18,771,558</u>	<u>\$19,769,889</u>	<u>\$15,851,548</u>	<u>\$16,654,456</u>	<u>5.07%</u>

The District's Funds

Information about the District's major funds start on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$18,381,210 and expenditures and other financing uses of \$19,942,034. The net change in fund balance for the year was (\$1,652,038), or a negative forty-three and four-tenths percent (43.4%). This decrease was primarily due to the impact of the activities of the General Fund.

In 2004, the District used fund balance reserves to balance its budget and used the \$66,509 set-aside reserve from prior year. In Ohio, property taxes are not permitted to grow with inflation. New property tax revenues can only be generated through new construction or voted increases. The District is 99% developed; consequently the possibility of new construction is low. The District has planned to utilize fund balance reserves again in 2005.

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 2004, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$15,017,940, which was less than the original budget estimate of \$15,224,755. Of this \$206,815 shortfall, half is attributed to a greater than anticipated drop in student enrollment and half associated with lower than expected property tax collections.

The District's ending General Fund unobligated cash balance at \$1,076,604 was \$72,355 lower than the original budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$8.03 million invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2004 balances compared to fiscal 2003:

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

	Governmental Activities <u>2003 Restated</u>	Governmental Activities <u>2004</u>
Land	\$732,202	\$732,202
Buildings and Improvements	5,357,324	5,228,196
Furniture and Equipment	2,038,903	2,036,923
Construction in Progress	<u>0</u>	<u>28,435</u>
Total Net Assets	<u>\$8,128,429</u>	<u>\$8,025,756</u>

The \$.10 million decrease in net capital assets is the result of \$.32 million in acquisitions, offset by the recognition of \$.42 million in depreciation expense. The District also retired \$0.03 million in fully depreciated capital assets. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2004, the District had \$7,585,000 in bonds outstanding, \$275,000 due within one year. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2004</u>
Total:		
General Obligation Bonds:		
1997 School Improvement	<u>\$7,845,000</u>	<u>\$7,585,000</u>

In 1997 the District passed a 3.96 mill bond issue, providing \$8.7 million for renovation of all buildings through out the district.

At June 30, 2004, the District's overall legal debt margin was \$18,661,800 with an unvoted debt margin of \$207,353. The District maintains an A bond rating.

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

In an effort to compete for business with other states, Ohio has enacted several pieces of legislation in recent years which impact the District’s local tax-generated revenue stream. In 2003, HB95 continued this trend. Acceleration of the tangible personal property inventory tax phase-out, phase-out of the \$10,000 tangible personal property tax exemption paid by the state on behalf of business taxpayers and phase down of the assessment rate on public utility telecommunication equipment placed into service before 1995 will all have an adverse impact on the district’s local tax revenue generation abilities.

The State of Ohio provides significant revenue to the District through its Foundation program, which funds the District on a per pupil basis. The District has experienced a steady and consistent decline in student enrollment for the last seven years. While this trend appears to have leveled off in 2005, this decline is predicted to modestly continue in future years of the District’s five year forecast. Lower enrollment combined with modifications to the Foundation program funding are expected to significantly limit growth in the District’s state Foundation program revenues for the next several years. Modifications to the state Foundation formula include the lowering of the annual per pupil funding increase (from 2.8 percent to 2.2 percent), the assignment of reduced weights to joint vocational students (from .25 to .20) and the elimination of the Foundation formula’s three-year Average Daily Membership averaging component.

The District is working very hard to control expenditure growth. Eighty-three percent of the District’s general fund is spent on employee salary and benefit costs. The District has implemented programs to reduce staff through attrition and to provide an early resignation incentive, in an attempt to balance staff to the projected decline in student population. The District has also adopted a fiscal responsibility plan designed to contain future growth in expenditures over the next 3 years at an average annual growth not to exceed 2%.

With only limited increases in total revenues projected for the next few years, the District placed a 7.95 mill operating levy on the November 2004 ballot. The levy was approved by voters and will generate \$1,650,000 in additional revenue annually. This increased funding will be needed to provide all students a quality education. With continued careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Oliverio, Treasurer at Finneytown Local School District, 8916 Fontainebleau Terrace, Cincinnati, Ohio 45231. Or E-mail at doliverio@finneytown.org.

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Finneytown Local School District
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$2,210,738
Investment with Fiscal Agent	732,000
Receivables:	
Taxes	9,623,557
Accounts	15,267
Intergovernmental	196,572
Inventory	4,350
Nondepreciable Capital Assets	760,637
Depreciable Capital Assets, Net	<u>7,265,119</u>
 Total Assets	 <u>20,808,240</u>
 Liabilities:	
Accounts Payable	135,573
Accrued Wages and Benefits	2,884,483
Accrued Interest Payable	36,677
Deferred Revenue	7,249,523
Long-Term Liabilities:	
Due Within One Year	572,483
Due In More Than One Year	<u>8,808,437</u>
 Total Liabilities	 <u>19,687,176</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	440,756
Restricted for:	
Special Revenue	431,009
Debt Service	652,010
Capital Projects	129,667
Unrestricted	<u>(532,378)</u>
 Total Net Assets	 <u><u>\$1,121,064</u></u>

See accompanying notes to the Basic
Financial Statements.

Finneytown Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$7,449,100	\$208,587	\$76,117	\$0	(\$7,164,396)
Special	1,719,030	0	324,023	0	(1,395,007)
Vocational	258,969	0	0	0	(258,969)
Other	225,315	0	1,430	0	(223,885)
Support Services:					
Pupil	1,116,075	0	281,333	0	(834,742)
Instructional Staff	1,332,208	0	63,967	0	(1,268,241)
General Administration	31,197	0	0	0	(31,197)
School Administration	1,295,355	46,822	166,906	0	(1,081,627)
Fiscal	422,116	0	0	0	(422,116)
Business	226,614	0	14,640	0	(211,974)
Operations and Maintenance	1,701,194	25,598	6,759	0	(1,668,837)
Pupil Transportation	689,106	0	0	6,083	(683,023)
Central	378,417	0	9,152	0	(369,265)
Operation of Non-Instructional Services	1,958,672	344,737	1,405,749	0	(208,186)
Extracurricular Activities	509,925	133,530	0	0	(376,395)
Interest and Fiscal Charges	456,596	0	0	0	(456,596)
Total Governmental Activities	19,769,889	759,274	2,350,076	6,083	(16,654,456)
Totals	\$19,769,889	\$759,274	\$2,350,076	\$6,083	(\$16,654,456)

General Revenues:

Property Taxes Levied for:

General Purposes	6,841,532
Debt Service Purposes	606,404
Capital Projects Purposes	203,330
Grants and Entitlements not Restricted to Specific Programs	7,046,592
Investment Earnings	39,123
Other Revenues	87,408

Total General Revenues and Transfers 14,824,389

Change in Net Assets (1,830,067)

Net Assets Beginning of Year (Restated) 2,951,131

Net Assets End of Year \$1,121,064

See accompanying notes
to the Basic Financial Statements.

Finneytown Local School District
 Balance Sheet
 Governmental Funds
 June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,076,598	\$1,134,140	\$2,210,738
Investment with Fiscal Agent	0	732,000	732,000
Receivables:			
Taxes	8,734,145	889,412	9,623,557
Accounts	951	14,316	15,267
Intergovernmental	71,429	125,143	196,572
Interfund	67,490	0	67,490
Inventory	0	4,350	4,350
Total Assets	9,950,613	2,899,361	12,849,974
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	37,009	98,564	135,573
Accrued Wages and Benefits	2,663,426	87,368	2,750,794
Compensated Absences	88,062	0	88,062
Interfund Payable	0	67,490	67,490
Deferred Revenue	6,968,645	682,285	7,650,930
Total Liabilities	9,757,142	935,707	10,692,849
Fund Balances:			
Reserved for Encumbrances	0	204,679	204,679
Reserved for Inventory	0	4,350	4,350
Reserved for Property Tax Advances	1,765,500	217,000	1,982,500
Unreserved, Undesignated, Reported in:			
General Fund	(1,572,029)	0	(1,572,029)
Special Revenue Funds	0	246,299	246,299
Debt Service Funds	0	494,754	494,754
Capital Projects Funds	0	796,572	796,572
Total Fund Balances	193,471	1,963,654	2,157,125
Total Liabilities and Fund Balances	\$9,950,613	\$2,899,361	\$12,849,974

See accompanying notes to the Basic
 Financial Statements.

Finneytown Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2004

Total Governmental Fund Balance \$2,157,125

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 8,025,756

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	391,534	
Intergovernmental	9,873	
		401,407

In the statement of net assets interest payable is accrued when
 incurred, whereas in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (36,677)

Some liabilities reported in the statement of net assets do not
 require the use of current financial resources and therefore
 are not reported as liabilities in governmental funds.

Pension Obligation	(133,689)	
Compensated Absences	(975,858)	
		(1,109,547)

Long-term liabilities, are not due and payable in the current
 period and therefore are not reported in the funds. (8,317,000)

Net Assets of Governmental Activities \$1,121,064

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$6,492,026	\$767,706	\$7,259,732
Tuition and Fees	141,912	0	141,912
Investment Earnings	35,316	3,808	39,124
Intergovernmental	7,280,347	2,177,720	9,458,067
Extracurricular Activities	0	156,805	156,805
Charges for Services	0	388,138	388,138
Other Revenues	84,987	69,294	154,281
Total Revenues	14,034,588	3,563,471	17,598,059
Expenditures:			
Current:			
Instruction:			
Regular	7,109,351	101,240	7,210,591
Special	1,419,278	279,595	1,698,873
Vocational	254,137	0	254,137
Other	224,702	0	224,702
Support Services:			
Pupil	845,431	319,351	1,164,782
Instructional Staff	1,234,251	41,222	1,275,473
General Administration	31,192	0	31,192
School Administration	1,253,268	2,413	1,255,681
Fiscal	409,616	12,927	422,543
Business	220,088	0	220,088
Operations and Maintenance	1,661,167	4,000	1,665,167
Pupil Transportation	583,836	64,200	648,036
Central	371,326	31,523	402,849
Operation of Non-Instructional Services	124,308	1,767,674	1,891,982
Extracurricular Activities	359,510	141,001	500,511
Capital Outlay	0	409,037	409,037
Debt Service:			
Principal Retirement	0	260,000	260,000
Interest and Fiscal Charges	0	451,997	451,997
Total Expenditures	16,101,461	3,886,180	19,987,641
Excess of Revenues Over (Under) Expenditures	(2,066,873)	(322,709)	(2,389,582)
Other Financing Sources (Uses):			
Proceeds of Capital Leases	0	732,000	732,000
Proceeds from Sale of Capital Assets	4,544	1,000	5,544
Transfers In	0	45,607	45,607
Transfers (Out)	(45,607)	0	(45,607)
Total Other Financing Sources (Uses)	(41,063)	778,607	737,544
Net Change in Fund Balance	(2,107,936)	455,898	(1,652,038)
Fund Balance Beginning of Year (Restated)	2,301,407	1,507,756	3,809,163
Fund Balance End of Year	\$193,471	\$1,963,654	\$2,157,125

See accompanying notes to the Basic
Financial Statements.

Finneytown Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balance - Total Governmental Funds (\$1,652,038)

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

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

Capital assets used in governmental activities	318,785	
Depreciation Expense	<u>(421,458)</u>	(102,673)

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

Delinquent Property Taxes	391,534	
Intergovernmental	<u>(55,315)</u>	336,219

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 260,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 1,040

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

Pension Obligation	(18,116)	
Compensated Absences	<u>77,501</u>	59,385

Proceeds from debt issues are an other financing source in the funds,
 but a debt issue increases long-term liabilities in the statement
 of net assets. (732,000)

Change in Net Assets of Governmental Activities	<u><u>(\$1,830,067)</u></u>
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See accompanying notes to the Basic Financial Statements.

Finneytown Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$7,585,468	\$7,482,426	\$7,482,426	\$0
Tuition and Fees	143,866	141,912	141,912	0
Investment Earnings	35,802	35,316	35,316	0
Intergovernmental	7,370,907	7,270,779	7,270,779	0
Other Revenues	88,712	87,507	87,507	0
Total Revenues	15,224,755	15,017,940	15,017,940	0
Expenditures:				
Current:				
Instruction:				
Regular	7,085,548	7,026,885	7,026,885	0
Special	1,417,970	1,406,230	1,406,230	0
Vocational	271,436	269,189	269,189	0
Other	226,574	224,698	224,698	0
Support Services:				
Pupil	832,549	825,656	825,656	0
Instructional Staff	1,229,578	1,219,398	1,219,398	0
General Administration	31,385	31,125	31,125	0
School Administration	1,251,981	1,241,615	1,241,615	0
Fiscal	413,014	409,595	409,595	0
Business	224,583	222,724	222,724	0
Operations and Maintenance	1,652,351	1,638,671	1,638,671	0
Pupil Transportation	570,443	565,720	565,720	0
Central	354,807	351,869	351,869	0
Operation of Non-Instructional Services	122,666	121,650	121,650	0
Extracurricular Activities	363,102	360,096	360,096	0
Total Expenditures	16,047,987	15,915,121	15,915,121	0
Excess of Revenues Over (Under) Expenditures	(823,232)	(897,181)	(897,181)	0
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	4,607	4,544	4,544	0
Advances In	99,125	98,304	98,304	0
Advances (Out)	(154,391)	(152,294)	(152,294)	0
Transfers (Out)	(45,987)	(45,606)	(45,606)	0
Total Other Financing Sources (Uses)	(96,646)	(95,052)	(95,052)	0
Net Change in Fund Balance	(919,878)	(992,233)	(992,233)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,068,837	2,068,837	2,068,837	0
Fund Balance End of Year	\$1,148,959	\$1,076,604	\$1,076,604	\$0

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2004

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$32,672</u>
Total Assets	<u><u>\$32,672</u></u>
Liabilities:	
Other Liabilities	<u>32,672</u>
Total Liabilities	<u><u>\$32,672</u></u>

See accompanying notes to the Basic
Financial Statements.

**FINNEYTOWN LOCAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

1. DESCRIPTION OF THE DISTRICT

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

The Finneytown Local School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. Average daily membership (ADM) as of October 1, 2003 was 1,787. The District employed 152 certificated employees and 132 non-certificated employees. The District operated 5 schools – Brent Elementary (grades K-2), Cottonwood Elementary (grades 3-4), Whitaker Elementary (grades 5-6), Finneytown Middle School (grades 7-8), and Finneytown High School (grades 9-12).

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

REPORTING ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

The government-wide statement of activities presents a comparison 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 contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

Fiduciary Funds are reported using the economic resources measurement focus.

B. FUND ACCOUNTING

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

Governmental Funds

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

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

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

Fiduciary Funds

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

C. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenue

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

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

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

Expenses/Expenditures

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

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

D. CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements. Cash received through the lease-purchase agreements is held in separate bank accounts by National City Bank and U.S. Bank. The balance in these accounts is presented on the financial statements as “Investments With Fiscal Agents” and represents investments.

During fiscal year 2004, the School District’s investments consisted of Armada Government Money Market Mutual Fund and the State Treasury Asset Reserve of Ohio (STAROhio). The mutual fund investments are reported at fair value, which is based on current share prices. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the District allocates interest earnings to funds as prescribed by Board resolution and required by law. Interest revenue during fiscal year 2004 amounted to \$39,123.

E. INVENTORY

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

F. CAPITAL ASSETS

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

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

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

G. RESTRICTED ASSETS

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

H. COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the vesting payment method.

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

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

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	20-25 days per year depending on length of service	10-20 days per year depending upon length of service
Maximum Accumulation	Not Applicable	Do not accumulate; 6 month grace period; Payout up to 5days/yr. unused	Three times annual award
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	230 days	230 days	230 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	¼ paid upon retirement; ½ paid if 1 st year of retirement eligible	¼ paid upon retirement; ½ paid if 1 st year of retirement eligible	¼ paid upon retirement; ½ paid if 1 st year of retirement eligible

I. NET ASSETS

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

J. FUND BALANCE RESERVES AND DESIGNATIONS

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventory, property taxes and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

K. INTERFUND ACTIVITY

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

L. FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, set-asides and property tax advances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

3. CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and cash equivalents."

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.

- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – At the year end, the carrying amount of the District's deposits was \$2,223,614. The bank balance of deposits was \$2,386,724 of which \$693,000 was covered by federal depository insurance and \$1,693,724 was uninsured and uncollateralized. The remaining balance was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name. The District also had a \$732,000 lease investment held by a fiscal agent.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>Description</u>	<u>Unclassified</u>	<u>Carrying Amount/ Fair Value</u>
Armada Government Money Market Mutual Fund	\$732,000	\$732,000
State Treasury Pool*	<u>\$19,796</u>	<u>\$19,796</u>
Total Investments	<u>\$751,796</u>	<u>\$751,796</u>

*The District's Investments in the Ohio State Treasury Pool and the mutual fund are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

5. PROPERTY TAXES

Real property taxes collected in 2004 were levied in April on the assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property equipment is assessed at 25 percent of true value (as defined). Tangible property inventory is assessed at 23 percent of true value (as defined). In 2004, the State eliminated the informational only filing requirement for businesses with less than \$10,000 in personal property. The resulting tax revenue, formerly reimbursed to school districts by the state at 100%, will gradually be phased out over 10 years.

Real property taxes are payable annually or semi-annually. In 2004, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2004. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004, was \$1,765,500 for the General Fund, \$162,600 for the Bond Retirement Fund and \$54,400 for the Permanent Improvement Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2004 operations. The amount available for advance at June 30, 2003 was \$2,755,900 for the General Fund, \$280,100 for the Bond Retirement Fund and \$85,000 for the Permanent Improvement Fund, with a corresponding reserve to fund balance since the Board did not appropriate those receivables for fiscal year 2003 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$198,707,880
Public Utility Personal	5,592,160
Tangible Personal Property	<u>3,053,290</u>
Total	<u>\$207,353,330</u>

6. RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, accounts (student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Beginning Of Year	Prior Period Adjustment	Restated Beginning Balance	Additions	Deletions	Ending Balance
Government Activities						
<i>Capital assets not being depreciated:</i>						
Land	\$732,202	\$0	\$732,202	\$0	\$0	\$732,202
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,435</u>	<u>0</u>	<u>28,435</u>
Subtotal	732,202	0	732,202	28,435	0	760,637
<i>Capital assets being depreciated:</i>						
Buildings & Improvements	11,432,644	17,926	11,450,570	114,682	0	11,565,252
Equipment	<u>3,201,375</u>	<u>237,849</u>	<u>3,439,224</u>	<u>175,668</u>	<u>(25,461)</u>	<u>3,589,431</u>
Subtotal	14,634,019	255,775	14,889,794	290,350	(25,461)	15,154,683
Totals at Historical Cost	<u>\$15,366,221</u>	<u>\$255,775</u>	<u>\$15,621,996</u>	<u>\$318,785</u>	<u>(\$25,461)</u>	<u>\$15,915,320</u>
<i>Less Accumulated Depreciation:</i>						
Buildings & Improvements	6,090,567	2,679	6,093,246	243,810	0	6,337,056
Equipment	<u>1,318,032</u>	<u>82,289</u>	<u>1,400,321</u>	<u>177,648</u>	<u>(25,461)</u>	<u>1,552,508</u>
Total Accumulated Depreciation	<u>\$7,408,599</u>	<u>\$84,968</u>	<u>\$7,493,567</u>	<u>\$421,458</u>	<u>(\$25,461)</u>	<u>\$7,889,564</u>
Governmental Activities Capital Assets, Net	<u>\$7,957,622</u>	<u>\$170,807</u>	<u>\$8,128,429</u>	<u>(\$102,673)</u>	<u>\$0</u>	<u>\$8,025,756</u>

Prior period adjustments are the result of: 1) changes in the composition of floating textbook and library book lots, and 2) fixed asset system reporting of certain assets prior to the final accumulation of all costs required to place those assets into service.

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$157,587
Special	28,695
Vocational	4,601
Other	610
Support Services:	
Pupil	13,822
Instructional Staff	41,061
School Administration	20,605
Business	5,560
Operations and Maintenance	27,694
Pupil Transportation	38,269
Central	16,804
Community Services	56,823
Extracurricular Activities	<u>9,327</u>
Total Depreciation Expense	<u>\$421,458</u>

8. LEGAL DEBT MARGIN

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2004, are a voted debt margin of \$18,661,800 and an unvoted debt margin of \$207,353.

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

9. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds:						
School Improvement						
1997 5.68%	12/01/24	<u>\$7,845,000</u>	<u>\$ 0</u>	<u>\$260,000</u>	<u>\$7,585,000</u>	<u>\$275,000</u>
Total General Obligation Bonds	7.845,000	0	260,000	7,585,000	275,000	
Compensated Absences		1,107,277	0	43,357	1,063,920	270,483
Capital Lease Obligations		<u>0</u>	<u>732,000</u>	<u>0</u>	<u>732,000</u>	<u>27,000</u>
Total General Long-Term Obligations		<u>\$8,952,277</u>	<u>\$ 732,000</u>	<u>\$303,357</u>	<u>\$9,380,920</u>	<u>\$572,480</u>

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

The District's Board of Education has approved a Retirement Assistance Plan. Participation is open to employees that agree to retire at the end of the school year in which they first become eligible (as determined by the retirement system). Employees that qualify will receive a severance per diem stipend of fifty percent (50%) of accumulated unused sick leave. The year end liability is paid out in two installments—September 2005 and July 2006. Employees not qualifying for the Retirement Assistance Program receive twenty-five percent (25%) of accumulated sick leave paid September 2005. This liability is included in the Compensated Absences portion of the table above.

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

<u>General Obligation Bonds</u>			
Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	275,000	433,380	708,380
2006	290,000	419,465	709,465
2007	145,000	408,663	553,663
2008	155,000	401,046	556,046
2009	165,000	392,765	557,765
2010	200,000	383,175	583,175
2011	210,000	371,522	581,522
2012	225,000	358,251	583,251
2013	265,000	343,051	608,051
2014-2018	1,695,000	1,429,725	3,124,725
2019-2024	<u>3,960,000</u>	<u>873,480</u>	<u>4,833,480</u>
Totals	<u>\$7,585,000</u>	<u>\$5,814,523</u>	<u>\$13,399,523</u>

10. CAPITAL LEASES – LESSEE DISCLOSURE

The capital lease obligation recorded in the Permanent Improvement Fund relates to the acquisition and construction of gymnasium bleachers, a bus garage/maintenance building and middle school elevator in the School District. The School District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned National City Bank as trustee. National City Bank deposited \$732,000 in the School District's name with a fiscal agent for the construction of the three projects. This amount is reported as Investment with Fiscal Agent on the Statement of Net Assets. Amounts will be paid to contractors by the School District as the work progresses. The School District will then submit invoices to the agent for reimbursement. The School District made an interest payment to National City Bank, which has since been acquired by U.S. Bank. Future semi-annual lease payments will be directed to U.S. Bank Corporate Trust Services. The lease is renewable annually and expires in 2019. The intention of the School District is to renew the lease annually.

At fiscal year-end, project construction was not yet underway. The School District will begin making principal payments in fiscal year 2005. The principal amount owed on the lease at year end is \$732,000.

The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 3.745% plus an annual administrative fee not to exceed .15%. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2005	\$ 45,288.88
2006	60,954.60
2007	61,371.40
2008	61,638.80
2009	62,742.00
2010	62,662.00
2011 - 2015	316,817.50
2016 - 2020	<u>320,665.00</u>
Total	\$992,140.18
Less: Amount Representing Interest (3.745%)	(250,023.68)
Less: Additional Program Cost Component (NTE 0.15%)	<u>(10,116.50)</u>
Present Value of Minimum Lease Payments	
<u>\$732,000.00</u>	

11. PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$376,116, \$340,272 and \$338,628 respectively; 46.7% has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$200,532 represents the unpaid contribution for fiscal year 2004.

B. STATE TEACHERS RETIREMENT SYSTEM

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-

alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, 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 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,079,904, \$999,216 and \$980,028, respectively, 82.2 percent has been contributed for fiscal year 2004, and 100 percent for the fiscal years 2003 and 2002. \$191,904 represents the unpaid contribution for fiscal year 2004.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social

Security or the the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education elected Social Security. The Board's liability is 6.2% of wages paid.

12. POST EMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$79,176 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$180,278.

The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, (the latest information available) were \$204,930,737

and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants receiving health care benefits.

13. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2004.

LITIGATION

The District's attorney estimates that all potential claims against the District not covered by insurance resulting from litigation would not materially affect the financial statements of the District.

14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District contracted with and with Indiana Insurance for property, boiler and machinery insurance and for general liability insurance.

The District maintains blanket building and contents insurance coverage on its assets with a \$41,055,651 limit of liability and a \$2,500 deductible. Boiler and machinery coverage has a \$1,000 deductible. Vehicles have a \$1,000 deductible for comprehensive and collision and a \$1,000,000 single limited liability.

The District maintains general liability insurance with limits of \$1,000,000 each occurrence, \$2,000,000 aggregate. The District also has \$1,000,000 umbrella liability coverage over both general and automobile liability limits.

Public officials bond insurance is provided by the Ohio Casualty Insurance Company. The Treasurer and Director of Administrative Services are covered by bonds in the amounts \$20,000 each. Treasurer Office and Athletic Department employees are covered by \$5,000 bonds. The Cafeteria manager is covered by a \$3,000 bond.

Settlement amounts have not exceeded insurance coverage for any of the past three fiscal years.

For fiscal year 2004 the District provided employee medical/surgical benefits through United HealthCare.

15. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

16. FUND BALANCE RESERVES FOR SET-ASIDES

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

For fiscal year ended June 30, 2004, the School District was not required to set aside funds in the budget reserve set-aside. The budget stabilization balance available at June 30, 2003 was, however, used during the fiscal year to balance the District's budget.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside Reserve Balance as of June 30, 2003	\$ 0	\$ 0	\$ 66,509	\$ 66,509
Current Year Set-aside Requirement	250,077	250,077	0	500,154
Qualified Disbursements	(454,958)	(263,287)	(66,509)	(784,754)
Current Year Offsets	<u>0</u>	<u>(252,392)</u>	<u>0</u>	<u>(252,392)</u>
Total	<u>(\$204,881)</u>	<u>(\$265,602)</u>	<u>\$ 0</u>	
Set-Aside Reserve Balance as of June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Cumulative Surplus Spending Credit Carried Forward to FY 2005	<u>\$ (734,249)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The \$734,249 cumulative surplus spending credit may be carried forward to offset textbook spending requirements in future fiscal years.

17. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2004, consisted of the following individual fund receivables and payables:

Interfund Receivables/Payables:	Interfund Loan <u>Receivable</u>	Interfund Loan <u>Payable</u>
General Fund	\$67,490	
Special Revenue Fund:		
Student Intervention		\$14,903
Spec. Ed. IDEA-B		45,711
Title V		3,446
Title II-A		180
Title II-D	_____	<u>3,250</u>
 Total	 <u>\$67,490</u>	 <u>\$67,490</u>

18. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2004.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and

Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

	Net Change in Fund Balance <u>General Fund</u>
GAAP Basis	(\$2,107,936)
Net Adjustment for Revenue Accruals	1,081,656
Net Adjustment for Expenditure Accruals	34,047
Encumbrances	<u>0</u>
Budget Basis	<u>(\$992,233)</u>

19. PRIOR PERIOD ADJUSTMENT

The beginning net asset/fund balances of special revenue, enterprise and governmental activities has been adjusted for correction to capital assets detail and the reclassification of enterprise funds as follows:

	<u>Special Revenue</u>	<u>Enterprise</u>	Governmental <u>Activities</u>
June 30, 2003 Fund Balance/ Net Assets, as previously stated	\$385,967	\$ 92,229	\$2,737,270
Fund Reclassification	43,054	(92,229)	92,229
Net Governmental Capital Assets	<u>0</u>	<u>0</u>	<u>121,632</u>
June 30, 2003 Fund Balance/ Net Assets, as restated	<u>\$429,021</u>	<u>\$0</u>	<u>\$2,951,131</u>

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**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster						
Food Commodity Distribution	nn-n1	10.550	0	34,430	0	34,430
National School Lunch Program	LL-P4	10.555	104,900	0	104,900	0
Total Child Nutrition Cluster			104,900	34,430	104,900	34,430
Total U.S. Department of Agriculture			104,900	34,430	104,900	34,430
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (Title VI-B)	6B-SF	84.027	276,145	0	321,855	0
Total Special Education Cluster			276,145	0	321,855	0
Grants to Local Educational Agencies (Title I)	C1-S1	84.010	209,094	0	212,628	0
Early Special Education - PreSchool Grant	PG-S1	84.173	9,577	0	9,577	0
Title VI -- Innovative Education Program Strategies	C2-S1	84.298	22,108	0	22,078	0
Improving Teacher Quality	TR-S1	84.367	61,601	0	55,068	0
Title II-D - Technology Literacy Challenge Fund Grants	TJ-S1	84.318	5,823	0	7,615	0
Safe and Drug Free Schools	DR-S1	84.186	23,622	0	24,904	0
Total U.S. Department of Education			607,970	0	653,725	0
Totals			\$712,870	\$34,430	\$758,625	\$34,430

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule as the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the basic financial statements of the Finneytown Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated February 17, 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 17, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 17, 2005.

This report is intended for the information and use of the Audit committee, management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 17, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Finneytown Local School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 17, 2005

**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under ' .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA# 84.027 Title VI-B CFDA# 10.550 and 10.555 Child Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FINNEYTOWN LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2005**