

**REYNOLDSBURG CITY
SCHOOL DISTRICT**
FRANKLIN COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(Audited)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004

MITCHELL BIEDERMAN, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

We have reviewed the Independent Auditor's Report of the Reynoldsburg City School District, Franklin County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 20, 2005

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REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor’s Report

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reynoldsburg City School District, Franklin County (the “District”) as of and for the fiscal 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 the 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Reynoldsburg City School District, Franklin County, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2004, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Reynoldsburg City School District
Page Two

The management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Trimble, Julian & Grube, Inc.".

Trimble, Julian & Grube, Inc.
December 28, 2004

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The management's discussion and analysis of the Reynoldsburg City School District's (the "District") financial performance provides an overall review of the District's financial activities for the 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$6,712,450 which represents a 36.96% increase from 2003.
- General revenues and extraordinary item accounted for \$55,665,262 in revenue or 92.14% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,745,702 or 7.86% of total revenues of \$60,410,964.
- The District had \$53,698,514 in expenses related to governmental activities; only \$4,745,702 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$55,440,262 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and building fund. The general fund had \$49,950,655 in revenues and other financing sources and \$46,830,215 in expenditures and other financing uses. The fund balance of the general fund increased \$3,110,347 from \$11,430,608 to \$14,540,955.
- The debt service fund had \$4,522,914 in revenues and other financing sources and \$4,308,892 in expenditures. The fund balance of the debt service fund increased \$214,022 from \$838,208 to \$1,052,230.
- The building fund had \$4,746,518 in revenues and other financing sources and \$3,219,157 in expenditures. The fund balance of the building fund increased \$1,527,451 from \$25,255,841 to \$26,783,292.

Using these Basic Financial Statements

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. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District reports three major funds: the general fund, debt service fund, and building fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take 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 is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and building fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for self-insurance programs. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in two private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 25 and 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-58 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2004 and 2003.

	Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
<u>Assets</u>		
Current and other assets	\$ 112,091,429	\$ 106,274,593
Capital assets	<u>32,158,233</u>	<u>29,776,265</u>
Total assets	<u>144,249,662</u>	<u>136,050,858</u>
<u>Liabilities</u>		
Current liabilities	65,709,936	66,727,642
Long-term liabilities	<u>53,667,720</u>	<u>51,163,660</u>
Total liabilities	<u>119,377,656</u>	<u>117,891,302</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	12,159,218	6,978,739
Restricted	29,860,945	1,814,650
Unrestricted	<u>(17,148,157)</u>	<u>9,366,167</u>
Total net assets	<u>\$ 24,872,006</u>	<u>\$ 18,159,556</u>

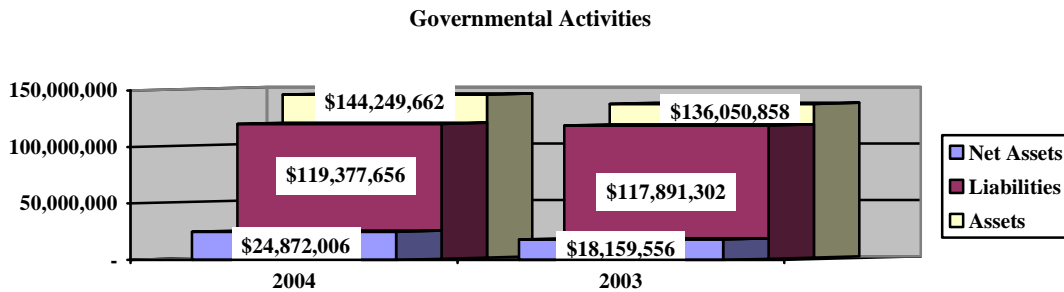
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$24,872,006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

At year-end, capital assets represented 22.29% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$12,159,218. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$29,860,945, represents resources that are subject to external restriction on how they may be used.



The table below shows the change in net assets for fiscal years 2004 and 2003.

	Change in Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,925,273	\$ 1,881,492
Operating grants and contributions	2,820,429	2,818,817
Capital grants and contributions	-	3,594
General revenues:		
Property taxes	26,900,409	22,309,444
Grants and entitlements	27,702,321	24,343,920
Investment earnings	471,925	660,526
Miscellaneous	365,607	473,209
Total revenues	<u>60,185,964</u>	<u>52,491,002</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Expenses

Program expenses:

Instruction:

Regular	\$ 25,419,372	\$ 24,121,381
Special	3,666,280	3,103,343
Vocational	152,157	222,930
Other	-	203

Support services:

Pupil	6,167,305	4,937,080
Instructional staff	1,341,464	1,727,064
Board of education	121,333	108,673
Administration	4,342,680	4,805,120
Fiscal	793,036	802,876
Business	305,446	242,544
Operations and maintenance	3,651,465	5,266,899
Pupil transportation	1,967,782	2,073,794
Central	429,811	561,571
Operations of non-instructional services	21,774	34,147
Food service operations	1,379,417	1,489,750
Extracurricular activities	1,274,735	1,133,966
Intergovernmental pass through	308,334	349,056
Interest and fiscal charges	<u>2,356,123</u>	<u>1,734,081</u>
Total expenses	<u>53,698,514</u>	<u>52,714,478</u>
Increase in net assets before extraordinary item	<u>6,487,450</u>	<u>(223,476)</u>
Extraordinary item - proceeds of legal judgement	<u>225,000</u>	<u>-</u>
Change in net assets	<u>\$ 6,712,450</u>	<u>\$ (223,476)</u>

Governmental Activities

Net assets of the District's governmental activities increased \$6,712,450. Total governmental expenses of \$53,698,514 were offset by program revenues of \$4,745,702 and general revenues of \$55,440,262. Program revenues supported 8.84% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These three revenue sources represent 90.39% of the total governmental revenue. Real Estate property is reappraised every six years as well as a triennial update every three years which is usually not as significant. The most recent yearly increase to the valuation of the district was 12.8%.

In November of 1989 voters approved a .5% school district income tax that generates approximately \$3.5 million each fiscal year. This represents an estimated 8% of the general fund revenue each year.

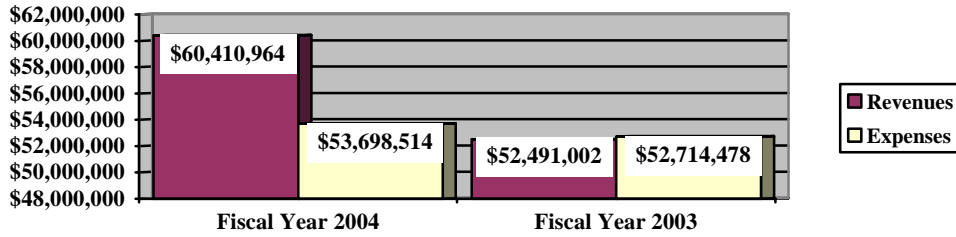
The District's financial condition has improved significantly since fiscal year end 1998. Increases in state funding, including parity aide has helped the District financially, along with steady growth in tax collections. The opening of two new schools in 2006 will impact the District's expenditures significantly in the years to come.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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**Governmental Activities - Revenues and Extrarodinary Item
and Expenses**



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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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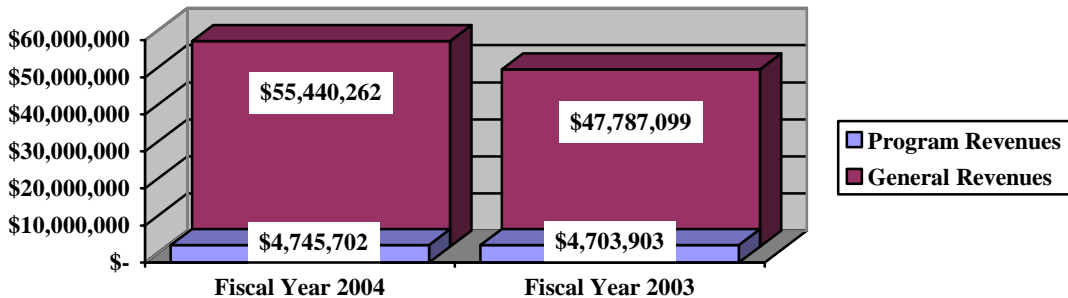
Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program expenses				
Instruction:				
Regular	\$ 25,419,372	\$ 24,780,589	\$ 24,121,381	\$ 23,516,911
Special	3,666,280	2,719,172	3,103,343	2,575,472
Vocational	152,157	152,157	222,930	222,930
Other	-	-	203	203
Support services:				
Pupil	6,167,305	5,907,649	4,937,080	4,755,074
Instructional staff	1,341,464	1,015,182	1,727,064	1,063,742
Board of education	121,333	121,333	108,673	108,673
Administration	4,342,680	4,138,536	4,805,120	4,300,703
Fiscal	793,036	780,620	802,876	802,459
Business	305,446	295,461	242,544	221,915
Operations and maintenance	3,651,465	3,628,554	5,266,899	5,251,548
Pupil transportation	1,967,782	1,967,782	2,073,794	2,073,359
Central	429,811	391,811	561,571	501,910
Operations of non-instructional services	21,774	13,787	34,147	4,383
Food service operations	1,379,417	(62,757)	1,489,750	119,864
Extracurricular activities	1,274,735	770,630	1,133,966	719,655
Intergovernmental pass through	308,334	(23,815)	349,056	37,693
Interest and fiscal charges	2,356,123	2,356,123	1,734,081	1,734,081
Total expenses	<u>\$ 53,698,514</u>	<u>\$ 48,952,814</u>	<u>\$ 52,714,478</u>	<u>\$ 48,010,575</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 94.58% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 91.16%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$44,231,988, which is higher than last year's total of \$38,204,870. The overall increase in fund balance is due primarily to the issuance of \$4,517,118 in general obligation notes during fiscal year 2004. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Increase</u>
General	\$ 14,540,955	\$ 11,430,608	\$ 3,110,347
Debt Service	1,052,230	838,208	214,022
Building	26,783,292	25,255,841	1,527,451
Other Governmental	<u>1,855,511</u>	<u>680,213</u>	<u>1,175,298</u>
Total	<u>\$ 44,231,988</u>	<u>\$ 38,204,870</u>	<u>\$ 6,027,118</u>

General Fund

During fiscal year 2004, the District's general fund balance increased \$3,110,347. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 21,778,779	\$ 18,530,998	17.53 %
Tuition	16,197	11,253	43.93 %
Earnings on investments	229,858	331,623	(30.69) %
Intergovernmental	27,117,221	23,887,096	13.52 %
Other revenues	<u>683,755</u>	<u>489,878</u>	39.58 %
Total	<u>\$ 49,825,810</u>	<u>\$ 43,250,848</u>	15.20 %
<u>Expenditures</u>			
Instruction	\$ 26,965,056	\$ 25,358,268	6.34 %
Support services	18,055,959	16,932,168	6.64 %
Extracurricular activities	827,625	642,440	28.83 %
Facilities acquisition and construction	-	1,050,752	(100.00) %
Capital outlay	124,223	-	100.00 %
Debt service	<u>272,670</u>	<u>271,246</u>	0.52 %
Total	<u>\$ 46,245,533</u>	<u>\$ 44,254,874</u>	4.50 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues of \$44,949,559 were \$423,920 higher than the original budgeted revenues estimate of \$44,525,639. Actual revenues and other financing sources for fiscal year 2004 was \$47,056,794. This represents a \$2,107,235 increase from the final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$46,305,049 were increased to \$46,928,547 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$46,904,049, which was \$24,498 less than the final budget appropriations.

Debt Service

During fiscal year 2004, the District's debt service fund balance increased by \$214,022, due to additional tax revenue received associated with the bond issuance. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,992,370	\$ 2,863,689	39.41 %
Intergovernmental	<u>474,989</u>	<u>347,239</u>	36.79 %
Total	<u>\$ 4,467,359</u>	<u>\$ 3,210,928</u>	39.13 %
<u>Expenditures</u>			
Fiscal	\$ 40,533	\$ 37,584	7.85 %
Debt service:			%
Principal retirement	2,230,000	31,005,000	(92.81) %
Interest and fiscal charges	2,004,346	1,352,167	48.23 %
Bond issuance costs	<u>34,013</u>	<u>324,318</u>	(89.51) %
Total	<u>\$ 4,308,892</u>	<u>\$ 32,719,069</u>	(86.83) %
<u>Other Financing Sources</u>			
Proceeds from sale of bonds	\$ -	\$ 29,799,979	(100.00) %
Premium on sale of bonds	55,555	324,339	(82.87) %
Accrued interest on sale of bonds	<u>-</u>	<u>50,456</u>	(100.00) %
Total	<u>\$ 55,555</u>	<u>\$ 30,174,774</u>	(99.82) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Building

During fiscal year 2004, the District's building fund balance increased \$1,527,451 due to the issuance of notes. The notes will be used to finance various District building projects. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Earnings on investments	\$ 229,490	\$ 231,033	(0.67) %
<u>Expenditures</u>			
Facilities acquisition and construction	\$ 3,219,157	\$ 4,894,429	(34.23) %
Total	\$ 3,219,157	\$ 4,894,429	(34.23) %
<u>Other Financing Sources</u>			
Proceeds from sale of notes	\$ 4,517,118	\$ 29,800,000	(84.84) %

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$32,158,233 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Land	\$ 5,732,607	\$ 5,732,607
Construction in progress	3,659,683	440,526
Land improvements	1,752,073	1,841,023
Building and improvements	19,097,316	20,120,257
Furniture and equipment	506,875	565,639
Vehicles	1,409,679	1,076,213
Total	<u>\$ 32,158,233</u>	<u>\$ 29,776,265</u>

The primary increase of capital assets occurred in construction in progress, resulting from the beginning of construction of two new school buildings. Total additions to capital assets for 2004 were \$4,006,958. Disposals were \$119,957 (net of accumulated depreciation) in 2004. Depreciation expense in 2004 totaled \$1,505,033.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Debt Administration

At June 30, 2004, the District had \$50,158,588 in general obligation bonds, general obligation notes, bond anticipation notes and energy conservation notes outstanding. Of this total, \$5,210,000 is due within one year and \$48,948,588 is due within greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
General obligation bonds	\$ 45,284,148	\$ 47,000,931
General obligation notes	1,184,440	-
Bond anticipation notes	3,200,000	-
Energy conservation notes	<u>490,000</u>	<u>525,000</u>
Total	<u>\$ 50,158,588</u>	<u>\$ 47,525,931</u>

The District issued general obligation refunding bonds on August 27, 1997, in the amount of \$21,236,520. The bonds are comprised of current interest bonds and capital appreciation bonds, bear an annual interest rate ranging from 3.80% to 5.45%, and mature on December 1, 2017.

The District issued general obligation bonds on March 24, 2003, in the amount of \$29,799,979, to provide funds for improvements to school facilities. The bonds are comprised of current interest bonds and capital appreciation bonds, bear an annual interest rate ranging from 2.00% to 5.00%, and mature on December 1, 2030.

The District issued energy conservation notes during fiscal years 1993 and 1999, bearing interest rates of 5.2593% and 5.05%, respectively, for the purpose of providing energy improvements to various District buildings. The 1993 issue matured on December 1, 2002, and the final maturity of the 1999 issue is December 1, 2013.

The District issued general obligation notes for energy conservation on July 1, 2003, in the amount of \$1,317,118. These notes are comprised of current interest notes and capital appreciation notes, which bear an annual interest rate ranging from 2.00% to 5.00% and mature on December 1, 2013.

At June 30, 2004, the District's overall legal debt margin was \$15,462,512 with an unvoted debt margin of \$662,940.

See Note 11 to the basic financial statements for detail on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Current Related Financial Activities

Overall the District is strong financially. The District does rely heavily upon state revenue, tax collections, grants and entitlements. Parity Aide will be a key component to the District's state funding in the upcoming biennial budget along with student enrollment growth in the years to come. Valuation growth within the District will help foster positive tax growth as well.

The District will be opening a new elementary school and a new middle school in 2006. It is not anticipated that it will take a new operational levy to open these two new schools, but the cost to do so will have an impact on the cash balance in the years to come.

The Reynoldsburg Education Association (REA) negotiated agreement expired on July 31, 2004, and the District is currently in negotiations. Double digit increases in insurance costs continue to be a concern.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's 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 Mr. Mitchell Biederman, Treasurer, Reynoldsburg City School District, 7244 E. Main Street, Reynoldsburg, Ohio 43068-3585.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 23,287,988
Investments	23,789,644
Cash in segregated accounts	5,141
Receivables:	
Taxes	23,868,527
Accounts	11,532
Intergovernmental	40,521,572
Accrued interest	140,081
Prepayments	27,167
Materials and supplies inventory	97,626
Unamortized bond issue costs	342,151
Capital assets:	
Land	5,732,607
Construction in progress	3,659,683
Depreciable capital assets, net	<u>22,765,943</u>
Capital assets, net.	<u>32,158,233</u>
 Total assets.	 <u>144,249,662</u>
Liabilities:	
Accounts payable.	149,936
Contracts payable.	429,358
Accrued wages and benefits	5,736,187
Pension obligation payable.	1,156,522
Intergovernmental payable	506,211
Deferred revenue	57,143,419
Accrued interest payable	164,403
Claims payable	423,900
Long-term liabilities:	
Due within one year.	5,716,945
Due in more than one year.	<u>47,950,775</u>
 Total liabilities	 <u>119,377,656</u>
Net Assets:	
Invested in capital assets, net of related debt.	12,159,218
Restricted for:	
Capital projects	28,495,223
Debt service.	1,039,603
Other purposes	301,022
Perpetual care:	
Expendable	97
Nonexpendable	25,000
Unrestricted.	<u>(17,148,157)</u>
 Total net assets	 <u>\$ 24,872,006</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

		Program Revenues		Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 25,419,372	\$ 267,550	\$ 371,233	\$ (24,780,589)
Special	3,666,280	947	946,161	(2,719,172)
Vocational	152,157	-	-	(152,157)
Support services:				
Pupil.	6,167,305	-	259,658	(5,907,647)
Instructional staff	1,341,464	1,135	325,147	(1,015,182)
Board of education	121,333	-	-	(121,333)
Administration.	4,342,680	3,165	200,979	(4,138,536)
Fiscal.	793,036	-	12,416	(780,620)
Business.	305,446	-	9,985	(295,461)
Operations and maintenance	3,651,465	22,911	-	(3,628,554)
Pupil transportation	1,967,782	-	-	(1,967,782)
Central	429,811	-	38,000	(391,811)
Operation of non-instructional services	21,774	-	7,987	(13,787)
Food service operations	1,379,417	1,133,682	308,492	62,757
Extracurricular activities.	1,274,735	495,883	8,222	(770,630)
Intergovernmental	308,334	-	332,149	23,815
Interest and fiscal charges	2,356,123	-	-	(2,356,123)
Total governmental activities.	\$ 53,698,514	\$ 1,925,273	\$ 2,820,429	(48,952,812)
General Revenues:				
Property and Income taxes for:				
General purposes				21,794,495
Debt service.				3,979,435
Capital projects				1,126,479
Grants and entitlements not restricted to specific programs				27,702,321
Investment earnings				471,925
Miscellaneous				365,607
Total general revenues				55,440,262
Extraordinary item - proceeds from legal judgement				225,000
Change in net assets				6,712,450
Net assets at beginning of year				18,159,556
Net assets at end of year				\$ 24,872,006

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 16,017,907	\$ 371,279	\$ 3,381,050	\$ 1,906,748	\$ 21,676,984
Investments	-	-	23,789,644	-	23,789,644
Cash in segregated accounts	5,141	-	-	-	5,141
Receivables:					
Taxes	18,907,458	3,989,078	-	971,991	23,868,527
Accounts	5,161	-	-	6,371	11,532
Intergovernmental	170,239	-	39,967,939	383,394	40,521,572
Accrued interest	43,459	-	96,622	-	140,081
Interfund loans	10,171	-	-	-	10,171
Due from other funds	16,342	-	-	-	16,342
Prepayments	-	-	27,167	-	27,167
Materials and supplies inventory	95,206	-	-	2,420	97,626
Restricted assets:					
Equity in pooled cash and cash equivalents	172,006	-	-	-	172,006
Total assets	<u>\$ 35,443,090</u>	<u>\$ 4,360,357</u>	<u>\$ 67,262,422</u>	<u>\$ 3,270,924</u>	<u>\$ 110,336,793</u>
Liabilities:					
Accounts payable	\$ 102,925	\$ -	\$ -	\$ 47,011	\$ 149,936
Contracts payable	-	-	429,358	-	429,358
Accrued wages and benefits	5,275,321	-	-	460,866	5,736,187
Compensated absences payable	138,910	-	-	-	138,910
Pension obligation payable	717,108	-	-	9,336	726,444
Intergovernmental payable	478,750	-	-	27,461	506,211
Interfund loan payable	-	-	-	10,171	10,171
Due to other funds	-	-	-	16,342	16,342
Deferred revenue	14,189,121	3,308,127	40,049,772	844,226	58,391,246
Total liabilities	<u>20,902,135</u>	<u>3,308,127</u>	<u>40,479,130</u>	<u>1,415,413</u>	<u>66,104,805</u>
Fund Balances:					
Reserved for encumbrances	645,590	-	1,410,345	577,303	2,633,238
Reserved for materials and supplies inventory	95,206	-	-	2,420	97,626
Reserved for prepayments	-	-	27,167	-	27,167
Reserved for debt service	-	371,279	-	-	371,279
Reserved for tax revenue available for appropriation	3,488,344	680,951	-	316,498	4,485,793
Reserved for perpetual care	-	-	-	25,000	25,000
Reserved for BWC refunds	172,006	-	-	-	172,006
Unreserved:					
Designation for budget stabilization	1,170,609	-	-	-	1,170,609
Undesignated, reported in:					
General fund	8,969,200	-	-	-	8,969,200
Special revenue funds	-	-	-	229,003	229,003
Capital projects funds	-	-	25,345,780	705,190	26,050,970
Permanent fund	-	-	-	97	97
Total fund balances	<u>14,540,955</u>	<u>1,052,230</u>	<u>26,783,292</u>	<u>1,855,511</u>	<u>44,231,988</u>
Total liabilities and fund balances	<u>\$ 35,443,090</u>	<u>\$ 4,360,357</u>	<u>\$ 67,262,422</u>	<u>\$ 3,270,924</u>	<u>\$ 110,336,793</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$ 44,231,988
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		32,158,233
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 953,351	
Intergovernmental revenue	188,733	
Accrued interest	105,743	
Total		1,247,827
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		1,015,098
Unamortized premiums on bond issuances are not recognized in the funds.		(346,600)
Unamortized bond issuance costs are not recognized in the funds.		342,151
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	2,616,030	
Pension obligation payable	430,078	
General obligation notes	1,184,440	
General obligation bonds	45,284,148	
Energy conservation notes	490,000	
Bond anticipation notes	3,200,000	
Capital lease obligation	407,592	
Accrued interest payable	164,403	
Total		(53,776,691)
Net assets of governmental activities		\$ 24,872,006

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 21,778,779	\$ 3,992,370	\$ -	\$ 1,106,429	\$ 26,877,578
Tuition	16,197	-	-	46,540	62,737
Charges for services	-	-	-	1,066,101	1,066,101
Earnings on investments	229,858	-	229,490	287	459,635
Extracurricular	-	-	-	412,626	412,626
Classroom materials and fees	208,131	-	-	-	208,131
Other local revenues	324,786	-	-	77,310	402,096
Donations	150,838	-	-	-	150,838
Reimbursements	-	-	-	225,000	225,000
Intergovernmental - State	26,922,704	474,989	-	1,145,701	28,543,394
Intergovernmental - Federal	194,517	-	-	1,636,553	1,831,070
Total revenues	<u>49,825,810</u>	<u>4,467,359</u>	<u>229,490</u>	<u>5,716,547</u>	<u>60,239,206</u>
Expenditures:					
Current:					
Instruction:					
Regular	24,101,028	-	-	467,225	24,568,253
Special	2,712,403	-	-	910,880	3,623,283
Vocational	151,625	-	-	-	151,625
Support services:					
Pupil	5,742,763	-	-	278,518	6,021,281
Instructional staff	962,310	-	-	384,079	1,346,389
Board of education	58,251	-	-	-	58,251
Administration	4,057,674	-	-	282,621	4,340,295
Fiscal	767,621	40,533	-	27,057	835,211
Business	282,439	-	-	28,337	310,776
Operations and maintenance	3,350,697	-	-	423,739	3,774,436
Pupil transportation	2,515,686	-	-	150	2,515,836
Central	318,518	-	-	108,617	427,135
Operation of non-instructional services	-	-	-	19,603	19,603
Food service operations	-	-	-	1,467,976	1,467,976
Extracurricular activities	827,625	-	-	402,023	1,229,648
Capital outlay	124,223	-	-	-	124,223
Facilities acquisition and construction	-	-	3,219,157	17,426	3,236,583
Intergovernmental pass through	-	-	-	308,334	308,334
Debt service:					
Principal retirement	244,067	2,230,000	-	-	2,474,067
Interest and fiscal charges	28,603	2,004,346	-	-	2,032,949
Bond issuance costs	-	34,013	-	-	34,013
Total expenditures	<u>46,245,533</u>	<u>4,308,892</u>	<u>3,219,157</u>	<u>5,126,585</u>	<u>58,900,167</u>
Excess of revenues over/(under) expenditures	<u>3,580,277</u>	<u>158,467</u>	<u>(2,989,667)</u>	<u>589,962</u>	<u>1,339,039</u>
Other financing sources (uses):					
Transfers in	-	-	-	584,682	584,682
Transfers (out)	(584,682)	-	-	-	(584,682)
Proceeds from sale of notes	-	-	4,517,118	-	4,517,118
Premium on sale of bonds	-	55,555	-	-	55,555
Proceeds from capital lease transaction	124,223	-	-	-	124,223
Proceeds from sale of capital assets	622	-	-	-	622
Total other financing sources (uses)	<u>(459,837)</u>	<u>55,555</u>	<u>4,517,118</u>	<u>584,682</u>	<u>4,697,518</u>
Net change in fund balances	3,120,440	214,022	1,527,451	1,174,644	6,036,557
Fund balances at beginning of year	11,430,608	838,208	25,255,841	680,213	38,204,870
Increase (decrease) in reserve for inventory	(10,093)	-	-	654	(9,439)
Fund balances at end of year	<u>\$ 14,540,955</u>	<u>\$ 1,052,230</u>	<u>\$ 26,783,292</u>	<u>\$ 1,855,511</u>	<u>\$ 44,231,988</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	6,036,557
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$4,006,958) exceed depreciation expense (\$1,505,033) in the current period.		2,501,925
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(119,957)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(9,439)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		171,758
Repayment of bonds, notes and capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		2,474,067
Proceeds of notes and lease obligation is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		(4,648,663)
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(48,233)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		34,013
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		(323,174)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(156,879)
The internal service funds used by management to charge the costs of insurance to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.		800,475
Change in net assets of governmental activities	\$	6,712,450

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
From local sources:				
Taxes	\$ 17,841,507	\$ 18,044,453	\$ 19,074,597	\$ 1,030,144
Tuition.	15,455	15,583	16,197	614
Earnings on investments.	272,111	274,365	285,167	10,802
Classroom materials and fees	198,602	200,247	208,131	7,884
Donations.	150,838	150,838	150,838	-
Other local revenues.	203,246	206,179	218,268	12,089
Intergovernmental - State	25,661,628	25,874,133	26,922,704	1,048,571
Intergovernmental - Federal	138,112	139,256	144,739	5,483
Total revenues.	<u>44,481,499</u>	<u>44,905,054</u>	<u>47,020,641</u>	<u>2,115,587</u>
Expenditures:				
Current:				
Instruction:				
Regular	26,044,946	26,156,472	24,553,645	1,602,827
Special.	2,290,733	2,300,542	2,721,284	(420,742)
Vocational.	227,582	228,557	155,254	73,303
Support services:				
Pupil.	4,183,534	4,201,448	5,610,159	(1,408,711)
Instructional staff	912,882	916,791	874,730	42,061
Board of education	65,061	65,340	58,241	7,099
Administration.	4,541,578	4,561,026	4,226,828	334,198
Fiscal	711,780	714,828	758,860	(44,032)
Business	241,491	242,525	195,507	47,018
Operations and maintenance.	3,626,146	3,641,674	3,523,018	118,656
Pupil transportation	2,110,622	2,119,660	2,369,044	(249,384)
Central.	447,926	449,844	440,741	9,103
Extracurricular activities.	733,698	736,840	821,885	(85,045)
Total expenditures	<u>46,137,979</u>	<u>46,335,547</u>	<u>46,309,196</u>	<u>26,351</u>
Excess of revenues over (under) expenditures.	<u>(1,656,480)</u>	<u>(1,430,493)</u>	<u>711,445</u>	<u>2,141,938</u>
Other financing sources (uses):				
Transfers in	9,642	9,722	-	(9,722)
Transfers (out).	(167,070)	(593,000)	(584,682)	8,318
Advances in	33,686	33,965	35,302	1,337
Advances (out).	-	-	(10,171)	(10,171)
Refund of prior year expenditures	219	221	230	9
Proceeds from sale of capital assets	593	597	621	24
Total other financing sources (uses)	<u>(122,930)</u>	<u>(548,495)</u>	<u>(558,700)</u>	<u>(10,205)</u>
Net change in fund balance	(1,779,410)	(1,978,988)	152,745	2,131,733
Fund balance at beginning of year	14,548,020	14,548,020	14,548,020	-
Prior year encumbrances appropriated	783,026	783,026	783,026	-
Fund balance at end of year	<u>\$ 13,551,636</u>	<u>\$ 13,352,058</u>	<u>\$ 15,483,791</u>	<u>\$ 2,131,733</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	Governmental Activities - Internal Service Funds
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	<u>\$ 1,438,998</u>
Total assets	<u>1,438,998</u>
Liabilities:	
Claims payable	<u>423,900</u>
Total liabilities	<u>423,900</u>
Net assets:	
Unrestricted.	<u>1,015,098</u>
Total net assets	<u><u>\$ 1,015,098</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 5,172,646
Total operating revenues	<u>5,172,646</u>
 Operating expenses:	
Purchased services	36,235
Claims expense	4,335,936
Total operating expenses	<u>4,372,171</u>
 Operating income	 <u>800,475</u>
 Net assets at beginning of year	 <u>214,623</u>
 Net assets at end of year	 <u><u>\$ 1,015,098</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Governmental Activities - Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 5,172,646
Cash payments for purchased services	(36,235)
Cash payments for claims.	<u>(4,410,136)</u>
Net cash provided by operating activities	<u>726,275</u>
Net increase in cash and cash equivalents	726,275
Cash and cash equivalents at beginning of year. . .	<u>712,723</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,438,998</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 800,475
Changes in assets and liabilities:	
Decrease in claims payable	<u>(74,200)</u>
Net cash provided by operating activities	<u><u>\$ 726,275</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 78,584	\$ 88,534
Total assets	78,584	88,534
Liabilities:		
Intergovernmental payable	-	273
Due to students	-	88,261
Total liabilities	-	\$ 88,534
Net Assets:		
Held in trust for scholarships	78,584	
Total net assets	\$ 78,584	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 118
Gifts and contributions.	24,054
	24,172
Total additions.	24,172
Deductions:	
Scholarships awarded	8,448
	15,724
Change in net assets	15,724
Net assets at beginning of year.	62,860
Net assets at end of year	\$ 78,584

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 46th largest by enrollment among the 613 public school districts in the state. The District employs 245 non-certified and 492 certified employees to provide services to approximately 6,552 students and community groups. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access to organizations' resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

JOINTLY GOVERNED ORGANIZATION

Metropolitan Education Council (MEC)

The MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds include two private-purpose trusts which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service funds are charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private purpose trust funds are reported using the economic resources measurement focus. The agency funds do not report a measurement focus as they do not report operations.

D. 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 on the fund financial statements. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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 (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

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 June 30, 2004, but which were levied to finance fiscal year 2005 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 Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Franklin County Budget Commission for tax rate determination.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amount in the budgetary statement reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted. The final budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District other than in segregated accounts is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

During fiscal year 2004, investments were limited to federal agency securities, certificates of deposit, a repurchase agreement, and the State Treasury Asset Reserve (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2004, amounted to \$229,858, which includes \$38,158 assigned from other District funds.

The District has segregated bank accounts for petty cash monies held separate from the District's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash in Segregated Accounts" since they are not required to be deposited into the District's treasury.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investments at fiscal year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government-wide statements and the purchase method on the fund financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

H. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. 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 except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 15 years
Vehicles	5 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental type activities columns of the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved in the fund financial statements by an amount equal to the carrying value of the asset.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized as a liability on the fund financial statements when due.

M. Fund Reserves/Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, perpetual care and Bureau of Workers' Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute. The amount set-aside by the Board for budget stabilization is reported as a designation of fund balance in the general fund.

N. Parochial School

St. Pius Catholic School operates within the District's boundaries. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. These activities are reported as a governmental activity of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

O. 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, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for BWC refunds. See Note 18 for details.

P. Estimates

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

Q. 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.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

S. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. During fiscal year 2004, the District received \$225,000 in a legal judgement related to the construction of the District's administrative office. This amount has been recorded as an extraordinary item in the basic financial statements. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Special item transactions did not occur during fiscal year 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Food Service	\$ 71,452
Management Information System	322
Summer School	6,593
Miscellaneous State Grants	8,171
IDEA Part B Special Education	22,666
EHA Preschool for Handicapped	157

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Cash in Segregated Accounts: At fiscal year-end, the District had \$5,141 in depository accounts for petty cash bank accounts related to the District's buildings. The balance in these depository accounts are included in the amount of "deposits" reported below.

Deposits: At fiscal year-end, the carrying amount of the District's deposits was \$1,240,771, and the bank balance was \$1,196,844. Of the bank balance:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

1. \$100,000 was covered by federal deposit insurance; and
2. \$1,096,884 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. 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 trust department, but not in the District's name. Investments in STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Reported Amount	Fair Value
Repurchase agreements	\$ -	\$ 2,862,577	\$ 2,862,577	\$ 2,862,577
Federal agency securities	35,680,420	-	35,680,420	35,680,420
Total	\$ 35,680,420	\$ 2,862,577		
Investment in STAR Ohio			7,466,123	7,466,123
Total investments			\$ 46,009,120	\$ 46,009,120

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 23,460,247	\$ 23,789,644
Investments of the cash management pool:		
Federal agency securities	(11,890,776)	11,890,776
Repurchase agreements	(2,862,577)	2,862,577
Investment in STAR Ohio	<u>(7,466,123)</u>	<u>7,466,123</u>
GASB Statement No. 3	<u>\$ 1,240,771</u>	<u>\$ 46,009,120</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances consisted of the following at June 30, 2004, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 10,171

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:		
General Fund		\$584,682

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- C.** Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 16,342

The primary purpose of the interfund balances is to cover anticipated negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Franklin, Licking and Fairfield Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$3,488,344 in the general fund, \$680,951 in the debt service fund and \$316,498 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$837,090 in the general fund, \$191,621 in the debt service fund and \$45,896 in the permanent improvement fund. The amount available as advance can vary depending upon when tax bills are sent by the County Auditor.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2003 Second		2004 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 608,719,510	93.35	\$ 614,903,350	92.75
Public utility personal	22,889,550	3.51	28,807,520	4.35
Tangible personal property	<u>20,460,882</u>	<u>3.14</u>	<u>19,228,883</u>	<u>2.90</u>
Total	<u>\$ 652,069,942</u>	<u>100.00</u>	<u>\$ 662,939,753</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 55.12		\$ 58.21	

NOTE 7 - INCOME TAX

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue for fiscal year 2004 totaled \$4,637,092 and is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:	
Taxes	\$ 23,868,527
Accounts	11,532
Accrued interest	140,081
Intergovernmental	<u>40,521,572</u>
Total	<u>\$ 64,541,712</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance at</u> <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>06/30/04</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 5,732,607	\$ -	\$ -	\$ 5,732,607
Construction in progress	440,526	3,219,157	-	3,659,683
Total capital assets, not being depreciated	<u>6,173,133</u>	<u>3,219,157</u>	<u>-</u>	<u>9,392,290</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,700,642	-	-	3,700,642
Buildings and improvements	35,402,397	-	-	35,402,397
Furniture and equipment	1,398,634	156,801	(155,785)	1,399,650
Vehicles	2,830,944	631,000	(260,098)	3,201,846
Total capital assets, being depreciated	<u>43,332,617</u>	<u>787,801</u>	<u>(415,883)</u>	<u>43,704,535</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,859,619)	(88,950)	-	(1,948,569)
Buildings and improvements	(15,282,140)	(1,022,941)	-	(16,305,081)
Furniture and equipment	(832,995)	(153,251)	93,471	(892,775)
Vehicles	(1,754,731)	(239,891)	202,455	(1,792,167)
Total accumulated depreciation	<u>(19,729,485)</u>	<u>(1,505,033)</u>	<u>295,926</u>	<u>(20,938,592)</u>
Governmental activities capital assets, net	<u>\$ 29,776,265</u>	<u>\$ 2,501,925</u>	<u>\$ (119,957)</u>	<u>\$ 32,158,233</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,039,185
Special	8,400

Support Services:

Pupil	3,817
Instructional staff	12,800
Board of Education	73,678
Administration	43,536
Operations and maintenance	313
Pupil transportation	250,735
Central	2,479
Food service operations	12,320
Extracurricular activities	57,770

Total depreciation expense \$ 1,505,033

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During the current and in prior fiscal years, the District entered into capitalized leases for copiers and telecommunications equipment related to upgrading the District's wide-area network (WAN). These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular and operations and maintenance function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$1,437,509. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$244,067 by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 258,558
2006	100,848
2007	38,256
2008	30,708
2009	<u>23,031</u>
Total minimum lease payments	451,401
Less amount representing interest	<u>(43,809)</u>
Total	<u>\$ 407,592</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Balance at			Balance at	Amounts
	06/30/03	Additions	Reductions	06/30/04	Due in
					One Year
Governmental Activities:					
Energy conservation notes	\$ 525,000	\$ -	\$ (35,000)	\$ 490,000	\$ 40,000
General obligation bonds	47,000,931	338,217	(2,055,000)	45,284,148	1,855,000
General obligation notes	-	1,324,440	(140,000)	1,184,440	115,000
Bond anticipation notes	-	3,200,000	-	3,200,000	3,200,000
Capital lease obligation	527,436	124,223	(244,067)	407,592	235,520
Compensated absences	2,788,850	273,620	(307,530)	2,754,940	271,425
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities					
long-term liabilities	<u>\$ 50,842,217</u>	<u>\$ 5,260,500</u>	<u>\$ (2,781,597)</u>	53,321,120	<u>\$ 5,716,945</u>
Add: Unamortized premium on bond issue				<u>346,600</u>	
Total on statement of net assets				<u>\$ 53,667,720</u>	

Bond Anticipation Notes:

On January 22, 2004, the District issued \$3,200,000 in bond anticipation notes to begin various District building projects. The notes bore an annual interest rate of 2.00% and matured on December 16, 2004. In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to Be Refinanced", the bond anticipation notes were classified as long-term obligations because they were refinanced by debt that extends at least one year beyond the date of the balance sheet.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

Capital Lease Obligation: The capital lease obligation was paid from the general fund. See Note 10 for details.

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

This issue is comprised of both current interest bonds, par value \$20,625,000, and capital appreciation bonds, par value \$5,860,000. The interest rates on the current interest bonds range from 3.80% to 5.45%. The capital appreciation bonds mature on December 1, 2009 (effective interest 17.25%), December 1, 2010 (effective interest 17.25%), December 1, 2011 (effective interest 17.25%) and December 1, 2012 (effective interest 17.25%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2004 was \$611,520. A total of \$1,260,746 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2004.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2004 on the 1997 series general obligation bonds:

	Balance at <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/04</u>
Current interest bonds	\$ 15,605,000	\$ -	\$ (1,105,000)	\$ 14,500,000
Capital appreciation bonds	<u>1,586,796</u>	<u>285,470</u>	<u>-</u>	<u>1,872,266</u>
Total G.O. bonds	<u>\$ 17,191,796</u>	<u>\$ 285,470</u>	<u>\$ (1,105,000)</u>	<u>\$ 16,372,266</u>

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

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,155,000	\$ 722,823	\$ 1,877,823	\$ -	\$ -	\$ -
2006	1,210,000	666,943	1,876,943	-	-	-
2007	1,265,000	607,845	1,872,845	-	-	-
2008	1,330,000	545,233	1,875,233	-	-	-
2009	1,390,000	478,578	1,868,578	-	-	-
2010 - 2014	1,460,000	2,181,090	3,641,090	5,860,000	-	5,860,000
2015 - 2018	<u>6,690,000</u>	<u>752,918</u>	<u>7,442,918</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,500,000</u>	<u>\$ 5,955,430</u>	<u>\$ 20,455,430</u>	<u>\$ 5,860,000</u>	<u>\$ -</u>	<u>\$ 5,860,000</u>

- C. On March 24, 2003, the District issued general obligation bonds to provide funds for improvements to school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$29,455,000, and capital appreciation bonds, par value \$760,000. The interest rates on the current interest bonds range from 2.00% to 5.00%. The capital appreciation bonds mature on December 1, 2008 (effective interest 14.384%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2004 was \$344,979. A total of \$61,903 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2004.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2004 on the 2003 series general obligation bonds:

	Balance at <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/04</u>
Current interest bonds	\$29,455,000	\$ -	\$ (950,000)	\$ 28,505,000
Capital appreciation bonds	<u>354,135</u>	<u>52,747</u>	<u>-</u>	<u>406,882</u>
Total G.O. bonds	<u>\$29,809,135</u>	<u>\$ 52,747</u>	<u>\$ (950,000)</u>	<u>\$ 28,911,882</u>

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

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 700,000	\$ 1,159,192	\$ 1,859,192	\$ -	\$ -	\$ -
2006	715,000	1,145,043	1,860,043	-	-	-
2007	730,000	1,130,592	1,860,592	-	-	-
2008	745,000	1,115,842	1,860,842	-	-	-
2009	-	1,108,393	1,108,393	760,000	-	760,000
2010 - 2014	4,035,000	5,241,981	9,276,981	-	-	-
2015 - 2019	4,795,000	4,444,550	9,239,550	-	-	-
2020 - 2024	5,925,000	3,284,774	9,209,774	-	-	-
2025 - 2029	7,385,000	1,777,915	9,162,915	-	-	-
2030 - 2031	<u>3,475,000</u>	<u>175,875</u>	<u>3,650,875</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,505,000</u>	<u>\$ 20,584,157</u>	<u>\$ 49,089,157</u>	<u>\$ 760,000</u>	<u>\$ -</u>	<u>\$ 760,000</u>

- D.** During fiscal years 1993 and 1999, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year-end is accounted for in the statement of net assets.

The following is a description of the District's energy conservation bonds outstanding as of June 30, 2004:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 06/03/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/03/04</u>
Energy conservation notes	5.05%	12/01/98	12/01/13	\$ 525,000	\$ -	\$ (35,000)	\$ 490,000
Total				<u>\$ 525,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 490,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Fiscal Year Ending</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2005	\$ 40,000	\$ 23,735	\$ 63,735
2006	40,000	21,715	61,715
2007	45,000	19,569	64,569
2008	45,000	17,296	62,296
2009	45,000	15,024	60,024
2010 - 2014	<u>275,000</u>	<u>36,234</u>	<u>311,234</u>
Total	<u>\$ 490,000</u>	<u>\$ 133,573</u>	<u>\$ 623,573</u>

- E.** On July 1, 2003, the District issued general obligation notes to provide funds for energy improvements to school facilities. These notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest notes, par value \$1,255,000, and capital appreciation notes, par value \$120,000. The interest rates on the current interest notes range from 2.00% to 5.00%. The capital appreciation notes mature on December 1, 2008 (effective interest 12.735%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2004 was \$62,118. A total of \$7,322 in accreted interest on the capital appreciation notes has been included in the statement of net assets at June 30, 2004.

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

The following is a schedule of activity for fiscal 2004 on the 2004 series general obligation notes:

	<u>Balance at 06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/04</u>
Current interest notes	\$ -	\$ 1,255,000	\$ (140,000)	\$ 1,115,000
Capital appreciation notes	-	69,440	-	69,440
Total G.O. bonds	<u>\$ -</u>	<u>\$ 1,324,440</u>	<u>\$ (140,000)</u>	<u>\$ 1,184,440</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year Ended</u>	<u>Current Interest Notes</u>			<u>Capital Appreciation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 115,000	\$ 31,937	\$ 146,937	\$ -	\$ -	\$ -
2006	115,000	29,638	144,638	-	-	-
2007	115,000	27,338	142,338	-	-	-
2008	120,000	25,037	145,037	-	-	-
2009	-	80,280	80,280	120,000	-	120,000
2010 - 2014	650,000	71,559	721,559	-	-	-
Total	<u>\$ 1,115,000</u>	<u>\$ 265,789</u>	<u>\$ 1,380,789</u>	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2004, are a voted debt margin of \$15,462,512 (including available funds of \$1,082,082) and an unvoted debt margin of \$662,940.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from board policy, board minutes, negotiated agreements and state laws. Only the administrators and 12-month classified employees earn 10 to 20 days of vacation per year, depending upon length of service. School support personnel accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
1 to 3 Years	10 Days
4 to 7 Years	12 Days
8 to 12 Years	15 Days
13 to 16 Years	17 Days
Over 17 Years	20 Days

Vacation Pay: Upon separation from employment a full-time employee shall be entitled to compensation at his/her current rate of pay for all lawfully accrued and unused vacation leave to his/her credit at the time of separation.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 244 days for certificated employees and 242 days for classified employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - COMPENSATED ABSENCES - (Compensated)

Service Retirement: Upon retirement, employees shall receive in one lump sum, payment equal to twenty-five percent of accumulated unused sick leave. This severance payment is based upon the above schedule utilizing the employees accumulated sick leave, up to a maximum of 244 days for certificated employees and 242 days for classified employees.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Education liability:			
Each occurrence	Indiana Insurance	\$ 2,000,000	\$ 0
Aggregate		5,000,000	0
Umbrella liability:			
Each occurrence	Indiana Insurance	5,000,000	
Aggregate		5,000,000	0
Building and contents	Indiana Insurance	89,479,300	5,000
Business auto:			
Each occurrence	Indiana Insurance	1,000,000	
Employee Benefits Liability	Core Source	500,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal 2003.

B. Health Care Self-Insurance Program

The District provides medical coverage for its employees and is self-insured up to a stop loss limit for the cost of providing this coverage. The District is covered by a monthly cumulative stop loss of approximately \$65,000 per month, and by an annual aggregate stop loss of approximately \$2,062,895 per year. This activity is accounted for as an internal service fund.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on past experience and known balances. The liability at June 30, 2004, is not discounted. An actuary was used in determining this liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 13 - RISK MANAGEMENT - (Continued)

The claims liability is \$423,900 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the current and past fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2004	\$ 498,100	\$ 4,335,936	\$ (4,410,136)	\$ 423,900
2003	505,802	3,965,513	(3,973,215)	498,100

C. Workers’ Compensation

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”.

This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% 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 adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$830,196, \$791,270, and \$665,239, respectively; 39% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$505,416 represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. 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 member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$3,349,497, \$3,160,099, and \$2,851,629, respectively; 83% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$557,972 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2004 were \$26,341 made by the District and \$66,393 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$239,250 during fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 percent of the premium.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, 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. The surcharge, 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% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003 (the latest information available), SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$386,115 during the 2004 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) 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 the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	<u>General Fund</u>
Budget basis	\$ 152,745
Net adjustment for revenue accruals	2,805,169
Net adjustment for expenditure accruals	(684,444)
Net adjustment for other sources/(uses)	98,863
Adjustment for encumbrances	<u>748,107</u>
GAAP basis	<u>\$ 3,120,440</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2004.

B. Litigation

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

C. 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 on its financial operations.

NOTE 18 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	<u>Budget Stabilization</u>	
			<u>Designated</u>	<u>Reserved</u>
Set-aside cash balance as of				
June 30, 2003	\$ (1,502,989)	\$ (30,138,901)	\$ 1,170,609	\$ 172,006
Current year set-aside requirement	893,544	893,544	-	-
Current year offsets	-	(835,827)	-	-
Qualifying disbursements	<u>(1,493,915)</u>	<u>(808,296)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (2,103,360)</u>	<u>\$ (30,889,480)</u>	<u>\$ 1,170,609</u>	<u>\$ 172,006</u>
Balance carried forward to FY 2005	<u>\$ (2,103,360)</u>	<u>\$ (30,138,901)</u>	<u>\$ 1,170,609</u>	<u>\$ 172,006</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 18 - STATUTORY RESERVES - (Continued)

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve and this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. During fiscal year 2003, the District issued \$29,800,000 in capital related debt based on a building project undertaken by the District. Those proceeds may be used to reduce the capital acquisition below zero for future years. Therefore, this negative amount is presented as being carried forward to the next fiscal year.

A schedule of the Governmental Fund restricted assets at June 30, 2004 follows:

Amount restricted for BWC refunds	<u>\$ 172,006</u>
Total restricted assets	<u>\$ 172,006</u>
Amount designated for budget stabilization	<u>\$ 1,170,609</u>

NOTE 19 - THE DISTRICT AS A FISCAL AGENT

Virtual Community School

The District serves as the fiscal agent for a K-12 Virtual Community School which provides on-line learning programs to students within the State of Ohio. The Virtual Community School consists of an independent four person board which adopts its own budget and is primarily funded through tax revenues provided by the Ohio Department of Education. The District serves strictly as fiscal agent and is not financially accountable for the Virtual Community School's operations. The agreement between the District and the Virtual Community School states the District shall serve as Treasurer and will be compensated two percent (2%) of the per pupil allocation (foundation) paid to the Virtual Community School by the State of Ohio. At June 30, 2004, the District received \$134,587. Additional information can be obtained from the Treasurer of the Virtual Community School located at 7244 East Main Street, Reynoldsburg, Ohio.

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2004, the District entered into various contractual commitments related to the building project undertaken by the District. A summary of primary contractual commitments outstanding at June 30, 2004, follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 20 - CONTRACTUAL COMMITMENTS - (Continued)

<u>Contractor</u>	<u>Contractual Cost Estimate</u>	<u>Total Costs at June 30</u>	<u>Remaining Contractual Commitment</u>
Igel	\$ 1,505,000	\$ -	\$ 1,505,000
Rocky Fork	156,420	-	156,420
Teemok	306,000	-	306,000
Thompson	370,314	-	370,314
Miles McClellan	1,393,650	-	1,393,650
Concord	579,600	-	579,600
Greater Columbus Construction	191,700	-	191,700
Nu - Tec	424,000	-	424,000
LaForce	114,508	-	114,508
Thomas Glass	242,426	-	242,426
Valley Interiors	465,435	-	465,435
Invironmentalists	165,477	-	165,477
Bolin	96,600	-	96,600
Greater Columbus Construction	7,300	-	7,300
Great Lakes	134,761	-	134,761
Farnharn	274,120	-	274,120
Kone	47,142	-	47,142
Dalmatian	129,800	-	129,800
Holdridge	402,000	-	402,000
CinFab	1,141,000	-	1,141,000
Converse	930,950	-	930,950
Igel	1,427,000	-	1,427,000
Contech	48,814	-	48,814
Greater Columbus Construction	228,000	-	228,000
Apex	293,700	-	293,700
Altman	606,855	-	606,855
Miles McClellan	1,607,619	-	1,607,619
Concord	605,800	-	605,800
Central Ohio Building	206,400	-	206,400
Saup/Hartley	581,314	-	581,314
LaForce	115,585	-	115,585
Thomas Glass	327,486	-	327,486
Valley Interiors	566,145	-	566,145
Southwestern Tile	227,400	-	227,400
The Painting Company	89,894	-	89,894
Greater Columbus Construction	7,100	-	7,100
C & T Design & Equipment	141,090	-	141,090
Southern Cabinetry Inc.	199,000	-	199,000
TBD	37,500	-	37,500
Gutridge	133,870	-	133,870
Holdridge	401,500	-	401,500
CinFab	1,167,000	-	1,167,000
Converse	1,077,000	-	1,077,000

**REYNOLDSBURG CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 21 - SUBSEQUENT EVENT

On December 16, 2004, the District issued General Obligation notes of \$3,000,000 due June 2005, at an interest rate of 2.75%. These notes were issued for the purpose of retiring the \$3,200,000 bond anticipation issuance on January 22, 2004.

SUPPLEMENTAL DATA

**REYNOLDSBURG CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A), (B) Food Distribution	10.550	N/A	\$ -	\$ 7,785	\$ -	\$ 7,785
(A), (C) School Breakfast	10.553	047001-05PU-2003	178		178	
(A), (C) School Breakfast	10.553	047001-05PU-2004	1,550		1,550	
(A), (C) National School Lunch	10.555	047001-LLP4-2003	27,795		27,795	
(A), (C) National School Lunch	10.555	047001-LLP4-2004	209,084		209,084	
Total U.S. Department of Agriculture and Nutrition Cluster			<u>238,607</u>	<u>7,785</u>	<u>238,607</u>	<u>7,785</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	047001-C1S1-2004	393,040		359,836	
Special Education Cluster:						
Special Education: Grants to States	84.027	047001-6BSF-2002-P	-		7,708	
Special Education: Grants to States	84.027	047001-6BSF-2003-P	46,167		49,090	
Special Education: Grants to States	84.027	047001-6BSF-2004-P	609,590		625,932	
Total Special Education: Grants to States			<u>655,757</u>		<u>682,730</u>	
Special Education: Preschool Grants	84.173	047001-PGS1-2004	15,537		15,537	
Total Special Education Grant Cluster			<u>671,294</u>		<u>698,267</u>	
(E) Safe and Drug-Free Schools	84.186	047001-DRS1-2003	11,206		12,599	
(E) Safe and Drug-Free Schools	84.186	047001-DRS1-2004	27,447		19,413	
Total Safe and Drug-Free Schools			<u>38,653</u>		<u>32,012</u>	
(F) State Grants for Innovative Programs	84.298	047001-C2S1-2003	15,709		16,226	
(F) State Grants for Innovative Programs	84.298	047001-C2S1-2004	10,405		4,274	
Total State Grants for Innovative Programs			<u>26,114</u>		<u>20,500</u>	
(G) Technology Literacy Challenge Fund Grants	84.318	047001-TJS1-2003	(465)		-	
(G) Technology Literacy Challenge Fund Grants	84.318	047001-TJS1-2004	8,106		-	
Total Technology Literacy Grant Funds			<u>7,641</u>		<u>-</u>	
Fund for the Improvement of Education	84.215	N/A	50,205		53,248	
(H) Assistive Technology Infusion Project	84.352A	047001-ATS3-2002	(266)		-	
(H) Assistive Technology Infusion Project	84.352A	047001-ATS4-2002	(6,627)		-	
Total Assistive Technology Infusion Project			<u>(6,893)</u>		<u>-</u>	
(I) English Language Acquisition Grants	84.365	047001-T3S1-2003	(342)		545	
(I) English Language Acquisition Grants	84.365	047001-T3S1-2004	18,059		13,178	
English Language Acquisition Grants	84.365	047001-T3S2-2004	13,121		11,720	
Total English Language Acquisition Grants			<u>30,838</u>		<u>25,443</u>	
(J) Improving Teacher Quality	84.367	047001-TRS1-2003	4,154		119,306	
(J) Improving Teacher Quality	84.367	047001-TRS1-2004	113,024		-	
Total Improving Teacher Quality			<u>117,178</u>		<u>119,306</u>	
Total U.S. Department of Education			<u>1,328,070</u>		<u>1,308,612</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
(K) Temporary Assistance for Needy Families	93.558	N/A	36,233		36,233	
(K) Community Alternative Funding System Program	93.778	N/A	108,506		108,506	
Total U.S. Department of Health and Human Services			<u>144,739</u>		<u>144,739</u>	
Total Federal Financial Assistance			<u>\$ 1,711,416</u>	<u>\$ 7,785</u>	<u>\$ 1,691,958</u>	<u>\$ 7,785</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(D) This schedule was prepared on the cash basis of accounting.
(E) Amount of \$9,629 transferred to the next grant year based on Ohio Department of Education administrative action
(F) Amount of \$10,405 transferred to the next grant year based on Ohio Department of Education administrative action.
(G) Amount of \$465 transferred to the next grant year based on Ohio Department of Education administrative action.
(H) Amount repaid to the Ohio Department of Education based on expiration of period of availability
(I) Amount of \$3,541 transferred to the next grant year based on Ohio Department of Education administrative action.
(J) Amount of \$24,721 transferred to the next grant year based on Ohio Department of Education administrative action.
(K) A pass-through number was not available for these grant awards.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reynoldsburg City School District, Franklin County, (the “District”) as of and for the fiscal year ended June 30, 2004, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 28, 2004. 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.

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 opinions on the financial statements of the District and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 that we have reported to the management of the District in a separate letter dated December 28, 2004.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the District in a separate letter dated December 28, 2004.

Board of Education
Reynoldsburg City School District

This report is intended solely for the information of the Board and management of the Reynoldsburg City School District, 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.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
December 28, 2004

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

Compliance

We have audited the compliance of the Reynoldsburg City School District, Franklin County, (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 is applicable to its major federal programs for the fiscal year ended June 30, 2004. The District’s major federal program is 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 of America; and OMB Circular A-133, *Audit 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 fiscal 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*.

Board of Education
Reynoldsburg City School District

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 reportable 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 caused by error or fraud in amounts 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 solely for the information of the management and the Board of Reynoldsburg City School District, Franklin County, 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 cursive script that reads "Trimble, Julian & Grube, Inc.".

Trimble, Julian & Grube, Inc.
December 28, 2004

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

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for its major federal program?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for its major federal program?	No
<i>(d)(1)(v)</i>	Type of Major Program' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program:	Special Education Cluster: Special Education: Grants to States CFDA #84.027 Special Education: Preschool Grants CFDA # 84.173.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**