

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SUPPLEMENTAL REPORTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**

RYAN GHIZZONI, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Stow-Munroe Falls City School District
4350 Allen Road
Stow, Ohio 44224

We have reviewed the *Independent Auditor's Report* of the Stow-Munroe Falls City School District, Summit County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Stow-Munroe Falls City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 30, 2007

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**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Supplementary Schedule of Receipts and Expenditures of Federal Awards

Board of Education
Stow-Munroe Falls City School District
4350 Allen Road
Stow, Ohio 44224

We have audited the financial statements of the governmental activities, its major fund and the aggregate remaining fund information of Stow-Munroe Falls City School District, Summit County (the "District") as of and for the fiscal year ended June 30, 2006. Our audit was performed 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

Julian & Grube, Inc.

Julian & Grube, Inc.

November 14, 2006, except for Note 17 which is dated December 14, 2006.

STOW-MUNROE FALLS CSD
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (C) Food Donation	10.550	N/A	\$ -	\$ 88,790	\$ -	\$ 88,790
Total Food Donation			-	88,790	-	88,790
(A) (D) National School Lunch Program	10.555	044834-LLP4-2005	64,323	-	64,323	-
(A) (D) National School Lunch Program	10.555	044834-LLP4-2006	162,606	-	162,606	-
Total National School Lunch Program			226,929	-	226,929	-
Total U.S. Department of Agriculture and Nutrition Cluster			226,929	88,790	226,929	88,790
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
(F) Title I Grants to Local Educational Agencies	84.010	044834-C1S1-2005	(3,109)	-	-	-
Title I Grants to Local Educational Agencies	84.010	044834-C1S1-2006	230,739	-	230,374	-
Total Title I Grants to Local Educational Agencies			227,630	-	230,374	-
Special Education Cluster:						
(B) Special Education Grants to States	84.027	044834-6BSF-2005	259,893	-	76,961	-
(B) Special Education Grants to States	84.027	044834-6BSF-2006	850,116	-	844,355	-
Total Special Education Grants to States			1,110,009	-	921,316	-
(B) Special Education Preschool Grants	84.173	044834-PGS1-2005	5,420	-	2,588	-
(B) Special Education Preschool Grants	84.173	044834-PGS1-2006	20,989	-	21,600	-
Total Special Education Preschool Grants			26,409	-	24,188	-
Total Special Education Cluster			1,136,418	-	945,504	-
(H) Federal Perkins Loan Program Federal Capital Contributions	84.038	N/A	-	-	256	-
(H) Federal Perkins Loan Program Federal Capital Contributions	84.038	N/A	-	-	6,996	-
(H) Federal Perkins Loan Program Federal Capital Contributions	84.038	N/A	38,426	-	34,702	-
Total Federal Perkins Loan Program			38,426	-	41,954	-
Safe and Drug-Free Schools and Communities State Grants	84.186	044834-DRS1-2005	6,897	-	2,939	-
Safe and Drug-Free Schools and Communities State Grants	84.186	044834-DRS1-2006	17,731	-	16,200	-
Total Safe and Drug-Free School and Communities State Grants			24,628	-	19,139	-
State Grants for Innovative Programs	84.298	044834-C2S1-2005	2,031	-	145	-
State Grants for Innovative Programs	84.298	044834-C2S1-2006	21,159	-	19,199	-
Total State Grants for Innovative Programs			23,190	-	19,344	-
(G) Education Technology State Grants	84.318	044834-TJS1-2005	(1)	-	-	-
Education Technology State Grants	84.318	044834-TJS1-2006	4,126	-	4,244	-
Total Educational Technology State Grants			4,125	-	4,244	-
English Language Acquisition Grants	84.365	044834-T3S1-2006	13,920	-	13,810	-
English Language Acquisition Grants	84.365	044834-T3S2-2006	6,000	-	6,000	-
Total English Language Acquisition Grants			19,920	-	19,810	-
Improving Teacher Quality State Grants	84.367	044834-TRS1-2005	10,975	-	11,924	-
Improving Teacher Quality State Grants	84.367	044834-TRS1-2006	89,425	-	94,805	-
Total Improving Teacher Quality State Grants			100,400	-	106,729	-
Hurricane Education Recovery	84.938	044834-HR01-2006	12,000	-	12,000	-
Total Hurricane Education Recovery			12,000	-	12,000	-
Total U.S. Department of Education			1,586,737	-	1,399,098	-
Total Federal Financial Assistance			\$ 1,813,666	\$ 88,790	\$ 1,626,027	\$ 88,790

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) Included as part of "Special Education Grant Cluster" in determining major programs.
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(E) This schedule was prepared on the cash basis of accounting.
(F) Amount of \$3,109 transferred to the next grant year based on Ohio Department of Education administrative action.
(G) Amount of \$1 transferred to the next grant year based on Ohio Department of Education administrative action.
(H) Passed through the Six District Educational Compact.



Julian & Grube, Inc.

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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
Stow-Munroe Falls City School District
4350 Allen Road
Stow, Ohio 44224

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Stow-Munroe Falls City School District, Summit County, (the “District”) as of and for the fiscal year ended June 30, 2006, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 14, 2006. 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 and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated November 14, 2006.

Board of Education
Stow-Munroe Falls City School District

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 a certain immaterial instance of noncompliance that we have reported to the Board of Education of Stow-Munroe Falls City School District in a separate letter dated November 14, 2006.

This report is intended solely for the information and use of the management and Board of Education of the Stow-Munroe Falls City School District and 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 "Julian & Grube, Inc.".

Julian & Grube, Inc.

November 14, 2006, except for Note 17 which is dated December 14, 2006.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Education
Stow-Munroe Falls City School District
227 S. West Street
Findlay, Ohio 45840-3377

Compliance

We have audited the compliance of the Stow-Munroe Falls City School District, Summit 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 are applicable to each of its major federal programs for the fiscal year ended June 30, 2006. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *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 occurred 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.

Board of Education
Stow-Munroe Falls City School District

In our opinion, the Stow-Munroe Falls City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006.

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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management and Board of Education of Stow-Munroe Falls City School District and 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.



Julian & Grube, Inc.

November 14, 2006, except for Note 17 which is dated December 14, 2006.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

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 major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs:	Nutrition Cluster: Food Donation CFDA #10.550; National School Lunch CFDA #10.555; Title I - Grants to Local Educational Agencies CFDA #84.010.
<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

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

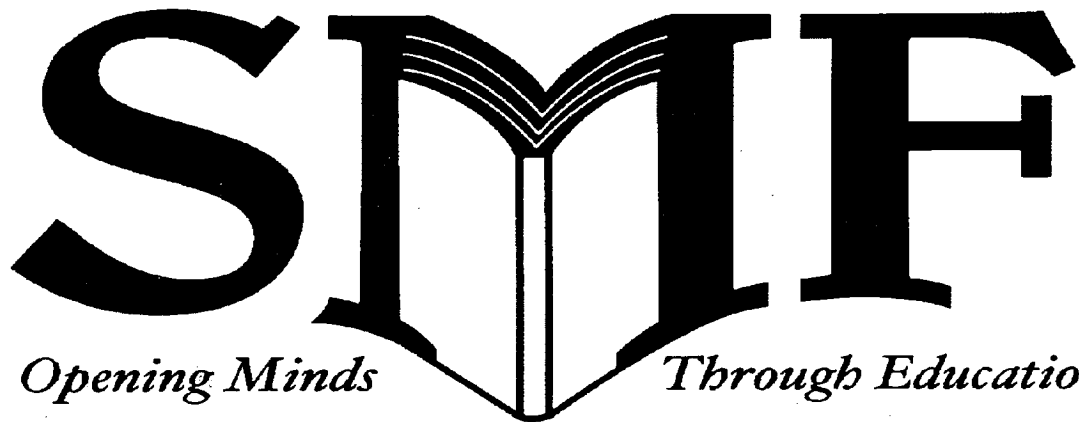
**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Stow-Munroe Falls
C I T Y S C H O O L S

**Comprehensive
Annual Financial
Report for Fiscal Year
ending June 2006**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

OF THE

**STOW-MUNROE FALLS CITY
SCHOOL DISTRICT**

FOR THE

FISCAL YEAR ENDED JUNE 30, 2006

**PREPARED BY
TREASURER'S DEPARTMENT
RYAN GHIZZONI, TREASURER**

4350 ALLEN ROAD

STOW, OHIO 44224

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**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006**

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INTRODUCTORY SECTION

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STOW-MUNROE FALLS CITY SCHOOLS

Administrative Offices
4350 Allen Road
Stow, OH 44224-1082

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<http://www.stow.summit.k12.oh.us>



December 14, 2006

Members of the Board of Education and Residents of the
Stow-Munroe Falls City School District

The Comprehensive Annual Financial Report (CAFR) of the Stow-Munroe Falls City School District (the "District") for the fiscal year ended June 30, 2006 is hereby submitted. This CAFR includes financial statements and other financial and statistical data and conforms to accounting principles generally accepted in the United States of America (GAAP) as they apply to governmental entities. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in three sections as follows:

1. **Introductory Section** - This section contains the Letter of Transmittal, List of Principal Officers, an Organizational Chart, and the Government Finance Officers Association (GFOA) Certificate of Achievement for the 2005 CAFR.
2. **Financial Section** - This section begins with the Independent Accountants' Report, the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the District's financial position and operating results, and Combining Statements and individual fund schedules providing detailed information relative to the Basic Financial Statements.
3. **Statistical Section** - This section presents selected financial and demographic information, generally presented on a multi-year basis.

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

State statute requires an annual audit by independent accountants. The firm of Julian & Grube, Inc. conducted the audit for fiscal year 2006. The audit has been conducted in accordance with generally accepted auditing standards, generally accepted government auditing standards, and include a review of internal controls and tests of compliance with Federal and State laws and regulations. The Independent Accountant's Report is included in this CAFR.

As a part of the District's independent audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the school district has complied with applicable laws and regulations. The results of the District's independent audit for the fiscal year ended June 30, 2006 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

District Vision: "To actively engage all learners in meaningful experiences which enable them to acquire the tools necessary to become productive, responsible citizens."

This transmittal letter is designed to provide historical information about the District, as well as compliment the required Management's Discussion and Analysis (MD&A). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The District's MD&A, which focuses on the government-wide statements, can be found immediately following the Independent Accountant's Report.

PROFILE OF STOW-MUNROE FALLS CITY SCHOOL DISTRICT

The District ranks as the 53rd largest by total enrollment among the 613 public school districts in the State of Ohio. As of the current school year (2005-06), the average daily membership (ADM) was 5,822 students attending nine schools.

The District has 690 full and part time employees (not including supplemental positions). The District employs 429 certified staff members and 35 administrators. Additionally, the District employs 226 full-time and part-time non-teaching staff members.

The District offers a wide variety of educational programs for all segments of the community. Stow-Munroe Falls High School is part of the Six District Educational Compact which offers 24 career programs to students in five other neighboring high schools. Six of the career programs are offered at SMFHS: Cooperative Business Education, Marketing Education, Business Careers Technology, Culinary Arts and Catering, Pre-engineering Academy and Career Based Intervention. The District provides extensive special education services and offers a gifted program for grades 4-8. All District kindergarten students are offered the option of attending all-day kindergarten classes.

A full range of extracurricular programs and activities are available to students beginning with the elementary grades. All District schools have libraries and special purpose rooms.

An active Council of Parent Teacher Associations provides for articulation, cooperation, communication and partnership between parents, community members, and school officials.

The District cooperates with the City of Stow Park and Recreation Department, churches and a number of community and civic organizations in making school facilities available for athletic, recreational and enrichment activities.

Classroom teachers at all levels are supported by specialists in media, guidance, art, instrumental and vocal music, physical education and math. A comprehensive interscholastic and intramural sports program is offered to students at select grade levels of the District. All elementary schools have full-time media aides and secondary schools are staffed by certified media specialists. Four psychologists, ten counselors, specific coordinators for Title I (a federally funded reading and mathematics program), and gifted programs offer direction, support and coordination of services for all students. All schools have nurses for most of the school day, five days a week.

Employees

A statewide public employee bargaining law applies generally to public employee relations and collective bargaining. The starting salary (2005-06 school year) for a teacher with a bachelor's degree is \$31,721, and the maximum salary for a teacher with a master's degree plus 60 graduate hours and 27 years of experience is \$67,217.

The District's certificated staff, excluding administration, are members of the Stow Teachers Association (S.T.A.), a labor organization affiliated with the Ohio Education Association. The current contract between the Board of Education and the S.E.A. expires June 30, 2007.

All of the District's support staff employees, including secretarial, custodial, maintenance, food service, transportation, and teacher aides, are represented for bargaining purposes by the Stow-Munroe Falls Classified Employees' Association (S.M.F.C.E.A.), a labor organization affiliated with the Ohio Education Association. The current S.M.F.C.E.A. contract expires June 30, 2007.

In the judgment of the Board and administration, labor relations between the District and its employees remain excellent.

The Reporting Entity

The District has reviewed its reporting entity definition in order to insure conformance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", as amended by Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations are Component Units." In evaluating how to define the District for financial reporting purposes, management has considered all agencies, departments and organizations making up the District (the primary government) and its potential component units. Based upon the application of these criteria, the District has no component units and is not itself a component unit of another government. The basic financial statements of the reporting entity include only those of the District (the primary government).

The District participates in certain organizations that are defined as jointly governed organizations and public entity risk pools. These organizations include the Northeast Ohio Network for Educational Technology (NeoNet), the Six District Educational Compact, the Ohio Schools Council, and the Stark County Schools Council of Governments Health Benefits Plan. These organizations are presented in Note 2.A to the basic financial statements.

Budgetary Controls

In addition to the internal control structure mentioned above, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Activities of all funds are included in the annual appropriated budget. The legal level of budgetary control is at the first digit function for the general fund and the fund level for all other funds. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Unencumbered amounts lapse at year-end. A complete description of the District's Budgetary Process can be found in Note 2.E. to the basic financial statements. As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The general fund balance was \$7,453,131 at June 30, 2006 as can be seen on the budgetary statement on page 29.

ECONOMIC CONDITION

Local Economy

The District is located in Summit County, in Northeast Ohio, approximately thirty miles south of Cleveland. Most of the District is located within Summit County, with a small portion falling in Portage County.

The District is served by diversified transportation facilities including immediate access to two State highways and Interstate 80 (Ohio Turnpike).

Major commercial banks with offices within the District include National City Bank, First Merit Bank, Sky Bank, Fifth Third Bank and Charter One Bank.

Three daily newspapers and one weekly newspaper serve the District. The District falls within the broadcast area of six television stations and numerous AM/FM radio stations.

Within commuting distance of the District are numerous public and private two and four-year colleges and universities including Kent State University, Akron University, Cleveland State University, Youngstown State University, Walsh, and Mount Union.

The cities of Stow and Munroe Falls are located in northern Summit County, northeast of Akron and Cuyahoga Falls. They have a reputation for friendliness, hospitality, and have great pride in their history. They are growing, progressive cities that welcome new business ventures and support their existing ones. The quality schools have played a major role in making the community an attractive family environment which continues to attract quality professional and managerial persons.

Stow-Munroe Falls residents are within easy driving time of medical facilities, colleges and universities, recreational facilities, including national, state and local parks, shopping malls and professional athletic facilities.

Long-Term Financial Planning

The District prepares a five-year financial forecast annually for use as a tool for long range planning. The five-year forecast contains projected local and state revenues, spending patterns within each area of the budget, and cash balances in the District's operating fund. The five-year forecast provides early warning signs of potential financial problems.

The District uses the five-year forecast to provide a basis for making financial decisions, including the construction of the annual budget, adjustments to staffing levels, collective bargaining, and the placement of tax levies on the ballot. Specific examples of recent decisions that have resulted in improvements in the District's financial condition include the approval of a 4.39 mill emergency levy in 2002 and the renewal of a 8.36 mill emergency levy in 2003.

Major Initiatives for the Year

The District implemented a number of significant programs during the past year to meet student and community needs.

The District has been involved in three House Bill 264 projects that replaced and upgraded HVAC equipment and other energy saving devices.

The District is using computer programs to increase efficiency and cost savings in areas such as Transportation, Facilities, and preventative maintenance programs, utilization of staff and permanent improvement projects and projections.

The District implemented a new K-6 Mathematics Curriculum after a two year study. The new program has increased student achievement. In addition, professional development will be committed to not only mathematics, but also technology integration and improving classroom work given by teachers.

The District implemented a structured plan for upgrading and replacing the District fleet of busses, by issuing a bus acquisition note for \$870,000 that enabled the District to purchase 13 new buses to be paid with Permanent Improvement Funds.

Major Initiatives for the Future

The future initiatives will also include the implementation of Mathematics curriculum for 7th & 8th graders in the 2006-2007 school year and the High School shortly after.

The District will continue to refine its permanent improvement plan for future facility upgrades in conjunction with the Ohio School Facilities Commission. Public meetings will be scheduled for community discussion and direction as the District moves forward to implement its permanent improvement plan.

The District will enter into a \$1,500,000 H.B. 264 Energy Conservation Project with Honeywell International to make energy saving improvements to several building in the District. Savings generated from the energy saving improvements will be used to pay for the cost of the project over a 15 year term.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out. The District will continue to pursue new money levy options to meet the rising costs of the District and supplement the effects that House Bill No. 66 had on Tangible Property Tax revenue and the State funding formula.

INDEPENDENT AUDIT

Provisions of State statute require the District's financial statements to be subjected to an annual audit by an independent auditor. Those provisions have been satisfied and the opinion of the District's independent auditors is included herein.

Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all units of local education agencies in Ohio. The District adopted and has been in conformance with that system.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Stow-Munroe Falls City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose content conforms to program standards. Such a report must satisfy both accounting principles generally accepted in the United States of America as applied to governmental units and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for review.


ACKNOWLEDGEMENTS


The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services of the Treasurer's Office staff. In addition, we acknowledge the outstanding services of our data processing department in meeting the vast informational requirements. Our consultant, Julian & Grube, Inc., provided us with expert technical assistance in all phases of preparing the report. The assistance of the Summit County Auditor's office in providing information is also appreciated.

In closing, without the leadership and support of the Board of Education of the District, preparation of this report would not have been possible.

Sincerely,


Ryan Grizzoni, Treasurer/CFO


Thomas Adams, Business Manager


Russell Jones, Superintendent

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY OHIO**

PRINCIPAL OFFICERS
JUNE 30, 2006

Board of Education

Dawn Doolittle - President

John Priboric - Vice President

David Alexander

Kathy Armstrong

Dorne Chadsey

Superintendent

Russell Jones

Treasurer

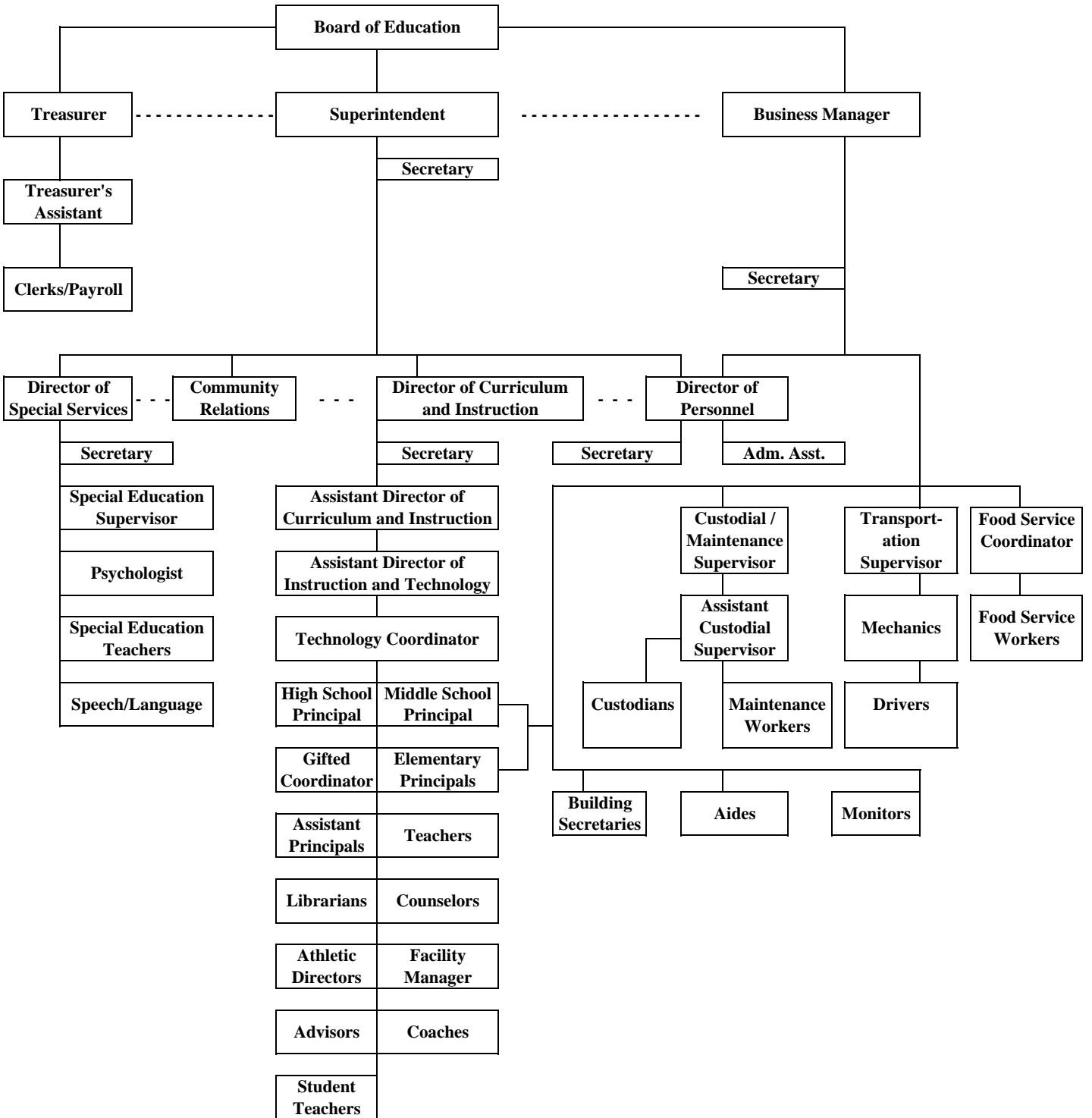
Ryan Ghizzoni

Business Manager

Tom Adams

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to
Stow-Munroe Falls
City School District
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



President

Executive Director

FINANCIAL SECTION

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Stow-Munroe Falls City School District
4350 Allen Road
Stow, Ohio 44224

We have audited the accompanying financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the Stow-Munroe Falls City School District, Summit County, Ohio, (the "District"), as of and for the fiscal year ended June 30, 2006, 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 respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Stow-Munroe Falls City School District, Summit County, Ohio, as of June 30, 2006, and the respective changes in financial position 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 November 14, 2006, on our consideration of the District's internal control over financial reporting and on 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 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
Stow-Munroe Falls City School District
Page Two

The management's discussion and analysis 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 introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Julian & Grube, Inc.

November 14, 2006, except for Note 17 which is dated December 14, 2006.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The discussion and analysis of the Stow-Munroe Falls 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, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, 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 2006 are as follows:

- In total, net assets of governmental activities increased \$1,853,171 which represents a 15.41% increase from 2005.
- General revenues accounted for \$49,868,552 in revenue or 91.14% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,845,494 or 8.86% of total revenues of \$54,714,046.
- The District had \$52,860,875 in expenses related to governmental activities; \$4,845,494 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$49,868,552 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$49,278,353 in revenues and other financing sources and \$47,637,284 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance increased \$1,641,069 from \$630,411 to \$2,271,480.

Using this Comprehensive Annual Financial Report (CAFR)

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. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

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 2006?" 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.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, operations and maintenance, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 23-24 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 18. 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 only major governmental fund is the general 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 25-29 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. 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 30 and 31. 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 33-58 of this report.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The District as a Whole

Recall that 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 2006 and 2005.

	Net Assets	
	Governmental Activities 2006	Governmental Activities 2005
<u>Assets</u>		
Current and other assets	\$ 40,939,795	\$ 38,406,891
Capital assets, net	<u>18,307,667</u>	<u>18,405,011</u>
Total assets	<u>59,247,462</u>	<u>56,811,902</u>
<u>Liabilities</u>		
Current liabilities	35,693,888	33,789,054
Long-term liabilities	<u>9,673,797</u>	<u>10,996,242</u>
Total liabilities	<u>45,367,685</u>	<u>44,785,296</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	13,822,667	13,475,011
Restricted	1,071,897	909,159
Unrestricted (deficit)	<u>(1,014,787)</u>	<u>(2,357,564)</u>
Total net assets	<u>\$ 13,879,777</u>	<u>\$ 12,026,606</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$13,879,777. Of this total, \$1,071,897 is restricted in use.

At year-end, capital assets represented 30.90% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$13,822,667. 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.

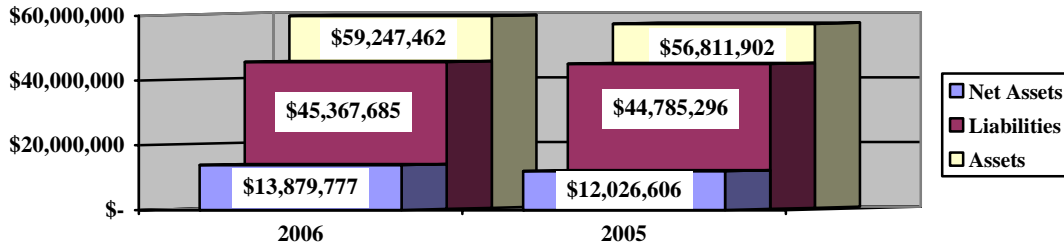
A portion of the District's net assets, \$1,071,897, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,014,787.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graph below illustrates the District assets, liabilities and net assets at June 30, 2006 and 2005:

Governmental Activities



The table below shows the change in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,345,462	\$ 2,287,011
Operating grants and contributions	2,500,032	2,649,726
Capital grants and contributions	-	49,350
General revenues:		
Property taxes	30,179,260	29,680,952
Grants and entitlements	19,088,996	18,713,795
Investment earnings	489,912	263,326
Other	110,384	48,426
Total revenues	<u>54,714,046</u>	<u>53,692,586</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Change in Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 23,764,903	\$ 25,450,276
Special	3,989,858	4,313,470
Vocational	1,541,980	1,847,273
Other	940,423	737,074
Support services:		
Pupil	3,080,777	3,166,707
Instructional staff	2,624,390	2,985,883
Board of education	368,110	289,971
Administration	2,992,001	3,191,741
Fiscal	1,019,822	1,050,449
Business	588,952	445,583
Operations and maintenance	5,019,556	4,438,153
Pupil transportation	2,922,388	2,960,741
Central	422,118	505,640
Operations of non-instructional services:		
Food service operations	1,403,937	1,386,922
Community services	135,432	57,909
Extracurricular activities	1,351,955	1,302,681
Intergovernmental	483,660	617,552
Interest and fiscal charges	<u>210,613</u>	<u>278,866</u>
Total expenses	<u>52,860,875</u>	<u>55,026,891</u>
Change in net assets	1,853,171	(1,334,305)
Net assets at beginning of year	<u>12,026,606</u>	<u>13,360,911</u>
Net assets at end of year	<u>\$ 13,879,777</u>	<u>\$ 12,026,606</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,853,171. Total governmental expenses of \$52,860,875 were offset by program revenues of \$4,845,494 and general revenues of \$49,868,552. Program revenues supported 9.17% of the total governmental expenses.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 90.05% of total governmental revenue.

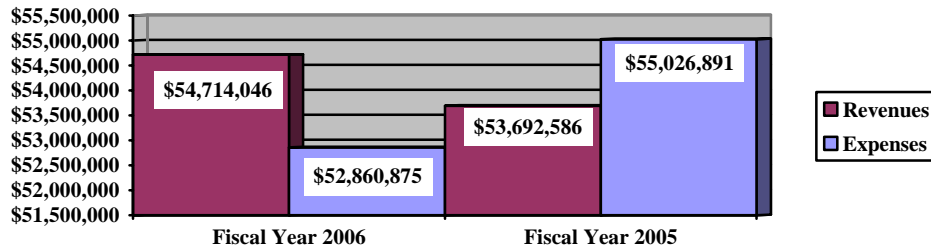
During fiscal 2006, the Ohio Department of Education discontinued the Fund 460 Student Intervention Fund. As a result, the District received a decrease of \$111,242 in "Operating grants and contributions" revenue for fiscal year 2006 compared to 2005. This was the primary reason for the decrease in "Operating grants and contributions" revenue.

The changes made to the State School Funding Formula with the adoption of House Bill 66 had devastating effects on the District's revenue from the State. In prior years, the District would experience a slight increase each year in State Funding, due to the changes in House Bill 66, starting in fiscal year 2006 the District is now "flat-lined" on State revenue, the second highest form of revenue for the District.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$30,237,164 or 57.20% of total governmental expenses for fiscal 2006. During fiscal 2006, the District implemented cost cutting measures, including staff reductions, which resulted in approximately \$2,000,000 in savings in the area of instruction activities versus fiscal year 2005.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

Governmental Activities - Revenues and Expenses



As can be seen in the chart above, revenues increased while expenses decreased from the prior year, revenues increased by 1.90% while expenses decreased 3.94%. As a result, net assets increased \$1,853,171 during fiscal year 2006.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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.

Governmental Activities

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program expenses				
Instruction:				
Regular	\$ 23,764,903	\$ 22,508,047	\$ 25,450,276	\$ 24,153,062
Special	3,989,858	3,504,310	4,313,470	3,775,172
Vocational	1,541,980	1,513,501	1,847,273	1,797,540
Other	940,423	940,423	737,074	737,074
Support services:				
Pupil	3,080,777	2,581,690	3,166,707	2,798,008
Instructional staff	2,624,390	2,506,737	2,985,883	2,889,921
Board of education	368,110	364,816	289,971	284,649
Administration	2,992,001	2,814,535	3,191,741	3,030,260
Fiscal	1,019,822	1,019,822	1,050,449	1,025,254
Business	588,952	588,952	445,583	445,583
Operations and maintenance	5,019,556	5,014,214	4,438,153	4,379,606
Pupil transportation	2,922,388	2,922,388	2,960,741	2,763,476
Central	422,118	395,118	505,640	474,858
Operations of non-instructional services	135,432	38,467	57,909	(2,740)
Food service operations	1,403,937	87,621	1,386,922	95,700
Extracurricular activities	1,351,955	1,023,731	1,302,681	1,019,873
Intergovernmental pass through	483,660	(19,604)	617,552	94,642
Interest and fiscal charges	210,613	210,613	278,866	278,866
Total expenses	<u>\$ 52,860,875</u>	<u>\$ 48,015,381</u>	<u>\$ 55,026,891</u>	<u>\$ 50,040,804</u>

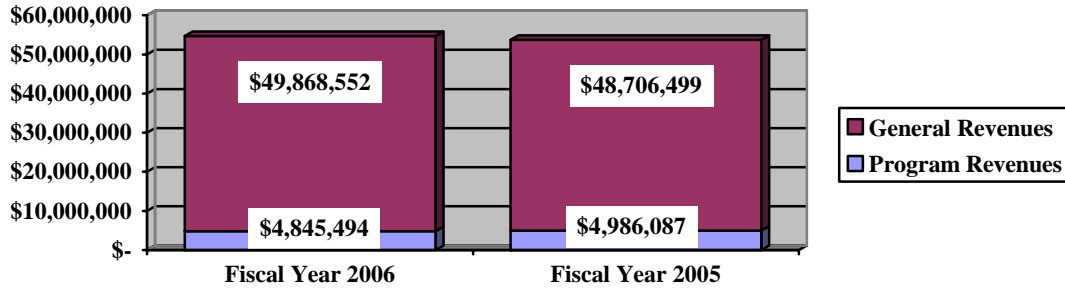
The dependence upon tax and other general revenues for governmental activities is apparent with 94.14% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.83%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

Governmental Activities - General and Program Revenues



General revenues increased \$1,162,053 or 2.39% from fiscal 2005 to 2006 while program revenues decreased \$140,593 or 2.82% from 2005 to 2006. The breakdown of the various components of general and program revenues can be seen on page 14.

The District's Funds

The District's governmental funds reported a combined fund balance of \$3,482,156, which is higher than last year's total of \$1,652,177. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 2,271,480	\$ 630,411	\$ 1,641,069	260.32 %
Other Governmental	<u>1,210,676</u>	<u>1,021,766</u>	<u>188,910</u>	18.49 %
Total	<u>\$ 3,482,156</u>	<u>\$ 1,652,177</u>	<u>\$ 1,829,979</u>	110.76 %

General Fund

The District's general fund balance increased \$1,641,069. The increase in fund balance can be primarily attributed to an increase of \$1,278,839 in revenues coupled with an almost \$2,800,000 decrease in instructional and support services expenditures. Revenues exceed expenditures for fiscal year 2006 by \$1,711,465. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 29,097,764	\$ 28,542,769	\$ 554,995	1.94 %
Earnings on investments	464,781	225,688	239,093	105.94 %
Intergovernmental	18,954,660	18,575,596	379,064	2.04 %
Other revenues	<u>751,448</u>	<u>645,761</u>	<u>105,687</u>	16.37 %
Total	<u>\$ 49,268,653</u>	<u>\$ 47,989,814</u>	<u>\$ 1,278,839</u>	2.66 %
<u>Expenditures</u>				
Instruction	\$ 28,201,646	\$ 30,145,906	\$ (1,944,260)	(6.45) %
Support services	17,664,655	18,478,107	(813,452)	(4.40) %
Non-instructional services	38,614	1,997	36,617	1,833.60 %
Extracurricular activities	861,443	812,843	48,600	5.98 %
Facilities acquisition and construction	382,551	268,876	113,675	42.28 %
Debt service	<u>408,279</u>	<u>827,278</u>	<u>(418,999)</u>	(50.65) %
Total	<u>\$ 47,557,188</u>	<u>\$ 50,535,007</u>	<u>\$ (2,977,819)</u>	(5.89) %

During fiscal year 2006, interest rates continued to rise, almost doubling the rates the District experienced in fiscal year 2005. In addition, the District changed its investment structure and moved some of the funds into more long-term investments, which offered a higher yield. As a result, the District was able to more than double its return on investments from fiscal year 2005 and quadrupled its returns compared to fiscal year 2004.

Due to a decrease in enrollment in fiscal year 2005, the District only offered three-tuition based, all day, kindergartens instead of the four it offered in the previous year. This resulted in a decrease of approximately \$50,000 in revenue from the prior year. In fiscal year 2006, all day kindergarten enrollment increased enough to substantiate the need to increase to 4 all day, tuition based, kindergarten classes. This resulted in the District collecting \$69,000 more in tuition revenue.

The District had 721 employees at June 30, 2005 and 690 employees at June 30, 2006. The headcount reduction of 31 employees is primarily reason for the approximate \$2,800,000 decrease in instruction and support services expenditures. For fiscal year 2006, the District experienced a 2.43% increase in salary expenses from fiscal year 2005, and an additional 8.47% increase in retirement/benefit expenditures. The District made efforts to limit increases in salary expenses by reducing sub costs and overtime by \$302,637 from fiscal 2005 to fiscal 2006.

The District increased its Debt Service payments in fiscal 2005, so that the first energy conservation loan that was taken in 1994 and the second energy conservation loan taken in 2000 could be paid off. In fiscal year 2006, the District made additional payments to pay off the 2001 energy conservation loan, leaving only the \$1,730,000, 2004 energy conservation loan outstanding.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$47,734,949 and final budgeted revenues and other financing sources were \$49,312,911. Actual revenues and other financing sources for fiscal 2006 was \$49,312,911. This equals the final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$49,889,571 were decreased to \$48,950,887 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$49,139,785, which was \$188,898 higher than the final budgeted appropriations. The District is not required to budget advances as expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$18,307,667 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 563,915	\$ 563,915
Land improvements	938,762	898,026
Building and improvements	13,248,043	13,884,899
Furniture and equipment	992,038	1,123,191
Vehicles	2,564,909	1,934,980
Total	\$ 18,307,667	\$ 18,405,011

The overall decrease in capital assets of \$97,344 is due to depreciation expense of \$1,338,310 and disposals of \$10,489 (net of accumulated depreciation) exceeding capital outlays of \$1,251,455 in the fiscal year.

The District began a \$1,730,000 energy conservation project in fiscal year 2006 to make improvements to the District's buildings that will save energy costs in future years.

The District replaced 15 buses in the bus fleet in fiscal year 2006 using the proceeds of a bus acquisition bond anticipation note. The District also decided to purchase a Ford F250 4X4, a Chevy 4X4 truck and a dump truck for the maintenance department in fiscal year 2006, which was increase from the one maintenance truck it purchased in fiscal year 2005.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Debt Administration

At June 30, 2006, the District had \$1,730,000 in energy conservation bond anticipation notes, \$870,000 in bus acquisition bond anticipation notes, and \$1,885,000 in general obligation bonds outstanding. Of this total, \$3,645,000 is due within one year and \$840,000 is due in greater than one year. The following table summarizes the note and bond obligations outstanding.

Outstanding Bonds and Notes, at Year End

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Bond anticipation notes - energy conservation	\$ 1,730,000	\$ 2,020,000
Bond anticipation notes - bus acquisition	870,000	-
General obligation bonds	<u>1,885,000</u>	<u>2,910,000</u>
Total	<u>\$ 4,485,000</u>	<u>\$ 4,930,000</u>

At June 30, 2006, the District's overall legal debt margin was \$85,398,516 and an unvoted debt margin of \$962,125.

The District issued \$2,600,000 and retired \$2,020,000 in bond anticipation notes during fiscal 2006. In addition, the District retired \$1,025,000 in general obligation bonds during fiscal year 2006.

See Note 9 to the basic financial statements for additional information on the District's long-term obligations.

Current Financial Related Activities

As the preceding information shows, the District relies heavily upon state foundation monies, (39% of revenues), general property tax (52%), tangible personal property tax (7%), and open enrollment tuition and interest income (2%) making up the majority of the remaining balance. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These issues stem from issues that are local and at the State level. The local challenges will continue to exist, as the District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio neglects to deal with the unconstitutionality of the State's educational funding system.

The District is currently facing two challenges. One challenge is the future of the State funding. 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 Ohio General Assembly was directed to enact a school-funding mechanism that is to be thorough and efficient. The District is unable to determine what effect, if any, this decision will have on future funding from the State.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

In addition to the issues above, the newly enacted H.B. 66 speeds up the phase out of the tangible personal property tax of general businesses, telephone and telecommunication companies, and railroads. This phase out will lead to the District eventually losing \$55,000,000 of its tax base, the District's 2nd highest source of tax revenue and third highest overall source of revenue. House Bill 66 further resulted in the District's second highest form of revenue being "flat-lined" or guaranteed to the amount the District received in 2005.

Due to unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. All of the District's financial abilities will be needed to meet the challenges of the future.

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: Ryan Ghizzoni, Treasurer, at Stow-Munroe Falls City School District, 4350 Allen Road, Stow, Ohio 44224.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 9,330,150
Receivables:	
Taxes	31,229,538
Accounts	15,115
Intergovernmental	287,917
Accrued interest	25,767
Loans.	310
Materials and supplies inventory	50,998
Capital assets:	
Land.	563,915
Depreciable capital assets, net.	17,743,752
Total capital assets, net	18,307,667
 Total assets	 59,247,462
Liabilities:	
Accounts payable.	403,120
Accrued wages and benefits	4,748,266
Pension obligation payable.	1,301,929
Intergovernmental payable	266,728
Deferred revenue	28,923,325
Accrued interest payable	50,520
Long-term liabilities:	
Due within one year.	5,360,250
Due in more than one year	4,313,547
 Total liabilities	 45,367,685
Net Assets:	
Invested in capital assets, net of related debt.	13,822,667
Restricted for:	
Capital projects	92,339
Debt service.	653,550
Locally funded programs	8,712
State funded programs	85,216
Federally funded programs	41,083
Student activities	70,435
Public school support.	111,997
Other purposes	8,565
Unrestricted (deficit)	(1,014,787)
 Total net assets	 \$ 13,879,777

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
		<u>and Sales</u>	<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 23,764,903	\$ 809,107	\$ 447,749	\$ (22,508,047)
Special	3,989,858	-	485,548	(3,504,310)
Vocational	1,541,980	26,770	1,709	(1,513,501)
Other	940,423	-	-	(940,423)
Support services:				
Pupil	3,080,777	189,464	309,623	(2,581,690)
Instructional staff	2,624,390	14,068	103,585	(2,506,737)
Board of education	368,110	-	3,294	(364,816)
Administration	2,992,001	-	177,466	(2,814,535)
Fiscal	1,019,822	-	-	(1,019,822)
Business	588,952	-	-	(588,952)
Operations and maintenance	5,019,556	5,342	-	(5,014,214)
Pupil transportation	2,922,388	-	-	(2,922,388)
Central	422,118	-	27,000	(395,118)
Operation of non-instructional services	135,432	-	96,965	(38,467)
Food service operations	1,403,937	985,430	330,886	(87,621)
Extracurricular activities	1,351,955	315,281	12,943	(1,023,731)
Intergovernmental	483,660	-	503,264	19,604
Interest and fiscal charges	210,613	-	-	(210,613)
Total governmental activities	<u>\$ 52,860,875</u>	<u>\$ 2,345,462</u>	<u>\$ 2,500,032</u>	<u>(48,015,381)</u>
		General Revenues:		
		Property taxes levied for:		
		General purposes		29,113,425
		Debt service		1,065,835
		Grants and entitlements not restricted		
		to specific programs		19,088,996
		Investment earnings		489,912
		Miscellaneous		110,384
		Total general revenues		<u>49,868,552</u>
		Change in net assets		1,853,171
		Net assets at beginning of year		<u>12,026,606</u>
		Net assets at end of year		<u>\$ 13,879,777</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 7,924,832	\$ 1,405,318	\$ 9,330,150
Receivables:			
Taxes	30,228,714	1,000,824	31,229,538
Accounts	1,529	13,586	15,115
Intergovernmental	-	287,917	287,917
Accrued interest	25,767	-	25,767
Interfund loans	188,518	-	188,518
Loans	310	-	310
Materials and supplies inventory	13,817	37,181	50,998
Total assets	\$ 38,383,487	\$ 2,744,826	\$ 41,128,313
Liabilities:			
Accounts payable	\$ 261,834	\$ 141,286	\$ 403,120
Accrued wages and benefits	4,584,141	164,125	4,748,266
Compensated absences payable	66,549	-	66,549
Retirement incentive payable	1,267,428	-	1,267,428
Pension obligation payable	1,233,086	68,843	1,301,929
Intergovernmental payable	253,357	13,371	266,728
Interfund loan payable	-	188,518	188,518
Deferred revenue	28,445,612	958,007	29,403,619
Total liabilities	36,112,007	1,534,150	37,646,157
Fund Balances:			
Reserved for encumbrances.	162,257	160,398	322,655
Reserved for unclaimed monies.	8,565	-	8,565
Reserved for property tax unavailable for appropriation	1,793,004	61,978	1,854,982
Reserved for debt service.	-	624,100	624,100
Unreserved, undesignated, reported in:			
General fund	307,654	-	307,654
Special revenue funds.	-	271,861	271,861
Capital projects funds.	-	92,339	92,339
Total fund balances	2,271,480	1,210,676	3,482,156
Total liabilities and fund balances	\$ 38,383,487	\$ 2,744,826	\$ 41,128,313

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$ 3,482,156
<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.		18,307,667
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 451,231	
Interest	9,902	
Intergovernmental revenue	19,161	
Total		480,294
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	1,885,000	
Compensated absences	3,854,820	
Notes payable	2,600,000	
Accrued interest payable	50,520	
Total		(8,390,340)
Net assets of governmental activities		\$ 13,879,777

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 29,097,764	\$ 1,068,115	\$ 30,165,879
Tuition.	589,338	-	589,338
Earnings on investments.	464,781	26,626	491,407
Charges for services	-	985,430	985,430
Extracurricular.	45,604	333,536	379,140
Classroom materials and fees	-	162,876	162,876
Other local revenues.	116,506	265,534	382,040
Intergovernmental - State	18,954,660	738,076	19,692,736
Intergovernmental - Federal.	-	1,837,816	1,837,816
Total revenue	<u>49,268,653</u>	<u>5,418,009</u>	<u>54,686,662</u>
Expenditures:			
Current:			
Instruction:			
Regular	22,218,579	664,873	22,883,452
Special.	3,518,279	477,997	3,996,276
Vocational.	1,536,199	2,399	1,538,598
Other	928,589	-	928,589
Support Services:			
Pupil.	2,580,131	469,949	3,050,080
Instructional staff	2,484,890	117,108	2,601,998
Board of education	364,747	3,363	368,110
Administration.	2,733,365	177,160	2,910,525
Fiscal	1,005,020	15,434	1,020,454
Business	577,389	-	577,389
Operations and maintenance.	4,664,687	3,768	4,668,455
Pupil transportation	2,843,889	850,600	3,694,489
Central.	410,537	27,000	437,537
Operation of non-instructional services	38,614	95,872	134,486
Food service operations	-	1,381,034	1,381,034
Extracurricular activities.	861,443	303,105	1,164,548
Intergovernmental pass through	-	482,488	482,488
Facilities acquisition and construction	382,551	-	382,551
Debt service:			
Principal retirement	355,000	2,690,000	3,045,000
Interest and fiscal charges	53,279	147,045	200,324
Total expenditures	<u>47,557,188</u>	<u>7,909,195</u>	<u>55,466,383</u>
Excess of revenues over (under) expenditures.	<u>1,711,465</u>	<u>(2,491,186)</u>	<u>(779,721)</u>
Other financing sources (uses):			
Transfers in.	-	80,096	80,096
Transfers (out)	(80,096)	-	(80,096)
Sale of capital assets	9,700	-	9,700
Issuance of notes	-	2,600,000	2,600,000
Total other financing sources (uses)	<u>(70,396)</u>	<u>2,680,096</u>	<u>2,609,700</u>
Net change in fund balances	1,641,069	188,910	1,829,979
Fund balances at beginning of year.	<u>630,411</u>	<u>1,021,766</u>	<u>1,652,177</u>
Fund balances at end of year	<u>\$ 2,271,480</u>	<u>\$ 1,210,676</u>	<u>\$ 3,482,156</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT 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, 2006

Net change in fund balances - total governmental funds \$ 1,829,979

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$ 1,251,455	
Current year depreciation	(1,338,310)	
Total		(86,855)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (10,489)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (10,289)

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

Taxes	13,381	
Intergovernmental	15,498	
Interest	(1,495)	
Total		27,384

Repayment of bond and notes are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	1,025,000	
Notes	2,020,000	
Total		3,045,000

The issuance of notes are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (2,600,000)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (341,559)

Change in net assets of governmental activities \$ 1,853,171

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT 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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Taxes	\$ 27,976,174	\$ 28,900,933	\$ 28,900,933	\$ -
Tuition.	578,386	597,505	597,505	-
Earnings on investments.	398,977	412,165	412,165	-
Extracurricular.	44,617	46,092	46,092	-
Other local revenues.	59,703	61,676	61,676	-
Intergovernmental - State	18,333,637	18,939,660	18,939,660	-
Total revenue	<u>47,391,494</u>	<u>48,958,031</u>	<u>48,958,031</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	23,445,698	23,004,562	23,004,562	-
Special.	3,657,871	3,589,048	3,589,048	-
Vocational.	1,683,097	1,651,429	1,651,429	-
Other.	963,133	945,011	945,011	-
Support Services:				
Pupil.	2,691,234	2,640,599	2,640,599	-
Instructional staff	2,627,227	2,577,795	2,577,795	-
Board of education	359,354	352,593	352,593	-
Administration.	2,821,322	2,768,238	2,768,238	-
Fiscal	1,034,516	1,015,051	1,015,051	-
Business	587,344	576,293	576,293	-
Operations and maintenance.	4,874,863	4,783,141	4,783,141	-
Pupil transportation	2,784,859	2,732,461	2,732,461	-
Central.	559,946	549,410	549,410	-
Operation of non-instructional services	39,354	38,614	38,614	-
Extracurricular activities.	867,243	850,926	850,926	-
Facilities acquisition and construction.	394,769	387,341	387,341	-
Debt service:				
Principal retirement	361,808	355,000	355,000	-
Interest and fiscal charges	54,301	53,279	53,279	-
Total expenditures	<u>49,807,939</u>	<u>48,870,791</u>	<u>48,870,791</u>	<u>-</u>
Excess of revenues over (under) expenditures.	<u>(2,416,445)</u>	<u>87,240</u>	<u>87,240</u>	<u>-</u>
Other financing sources (uses):				
Refund of prior year expenditure	45,925	47,443	47,443	-
Transfers (out)	(81,632)	(80,096)	(80,096)	-
Advances in.	288,140	297,737	297,737	-
Advances (out)	-	-	(188,898)	(188,898)
Proceeds from sale of capital assets.	9,390	9,700	9,700	-
Total other financing sources (uses)	<u>261,823</u>	<u>274,784</u>	<u>85,886</u>	<u>(188,898)</u>
Net change in fund balance	(2,154,622)	362,024	173,126	(188,898)
Fund balance at beginning of year	6,966,252	6,966,252	6,966,252	-
Prior year encumbrances appropriated	313,753	313,753	313,753	-
Fund balance at end of year	<u>\$ 5,125,383</u>	<u>\$ 7,642,029</u>	<u>\$ 7,453,131</u>	<u>\$ (188,898)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 89,307	\$ 122,620
Receivables:		
Accounts	-	4,398
	89,307	\$ 127,018
Total assets		
Liabilities:		
Accounts payable	600	\$ 2,475
Loans payable	-	310
Due to students	-	124,233
	600	\$ 127,018
Total liabilities		
Net Assets:		
Held in trust for scholarships	88,707	
Total net assets	\$ 88,707	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 9,953
Gifts and contributions.	30,412
	40,365
Total additions.	40,365
Deductions:	
Payments in accordance with trust agreements	22,601
	17,764
Change in net assets	17,764
Net assets at beginning of year.	70,943
Net assets at end of year	\$ 88,707

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Stow-Munroe Falls City School District (the "District") operates under a locally-elected, five-member Board form of government and provides educational services as authorized or mandated by state and/or federal agencies. This Board controls the District's nine instructional/support facilities staffed by 226 non-certificated employees, 35 administrators and 429 certificated teaching personnel to provide services to 5,949 students and other community members.

The District is the 53rd largest among the 613 public school districts in the State of Ohio.

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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The 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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". 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 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 the organization's 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 criterion, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

Within the District boundaries are three non-public schools. Holy Family School which is operated through the Cleveland Diocese, the Cornerstone Community School which is operated by the Cornerstone Community School Board of Trustee's and the Kids Country Preschool which is operated by Kids Country, Incorporated. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the District, as directed by the non-public school. This activity is reflected in a nonmajor governmental fund for financial reporting purposes.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

RELATED ORGANIZATION

Stow-Munroe Falls Public Library

The Stow-Munroe Falls Public Library (the "Library") is a related organization to the District. The District's Board of Education is responsible for appointing all the trustees of the Library; however, the District's Board of Education cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District serves as the taxing authority and may issue tax related debt on behalf of the Library, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. The Library did not receive any funding from the District during the fiscal year 2006; however, the District continues to service debt issued on behalf of the Library (see Note 9.A).

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet)

Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Data Acquisition Site (DAS) used by the District. NEOnet is an association of public school districts in a geographic area determined by the Ohio department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Board of Education. All districts in the consortium are required to pay fees, charges, and assessments as charges. NEOnet is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During fiscal year 2006, the District contributed \$125,431 to NEOnet. Financial information can be obtained by contracting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Ave., Suite 200, Cuyahoga Falls, Ohio 44221.

Six District Educational Compact

The Six District Educational Compact is a jointly governed organization to provide for the vocational and special education needs of the students of six participating school districts. The six member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the six districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Hudson City School District serves as the fiscal agent for this agreement, collecting and distributing payments. All revenues are generated from charges for services. The District paid \$337,800 to the Six District Educational Compact for services during fiscal year 2006.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2006, the District paid \$1,031,481 to the Council. Financial information can be obtained by contacting Albert G. Basek, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131.

The District participates in the Council's prepaid natural gas program, which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts commit to participate for a twelve-year period. The participants make monthly payments based on estimated usage. Each month these estimates are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

PUBLIC ENTITY RISK POOL

Stark County Schools Council of Government Health Benefits Program

The Stark County Schools Council of Government Health Benefits Program is a shared risk pool, with participants from Stark, Summit, and Portage Counties and provides medical/surgical, dental, life insurance and dismemberment insurance. The consortium is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercise control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to Stark County Educational Service Center, 2100 38th Street, Canton, Ohio 44709.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) for food service operations.

FIDUCIARY FUNDS

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

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.

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.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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. 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.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does 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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds 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.

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, interest, tuition, grants, student fees and rentals.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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, 2006, but which were levied to finance fiscal year 2007 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.

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budget documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriations Resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the first digit function for the general fund and the fund level for all other funds. Although the legal level of budgetary control was established at the first digit function level of expenditures for the general fund, the District has elected to present the budgetary statement comparison at the fund and function level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenues in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenues in the budgetary statement reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all 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.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

During fiscal year 2006, investments were limited to federal agency securities, US Treasury money market funds, US Treasury notes, non-negotiable certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes, all investment earnings are assigned to the general fund except those specifically related to certain trust funds, unless the Board of Education specifically directs interest to be recorded in other funds. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$464,781 which includes \$51,740 assigned from other District funds.

For presentation on the basic 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 District's investment account at 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. Inventories of the general fund and Food Service special revenue fund (a nonmajor governmental fund) are stated at cost, which is determined on a first-in, first-out basis. Inventory in the general fund consist of expendable supplies held for consumption. Inventories of the Food Service fund consist of donated food, purchased food and supplies held for resale. Inventories reported on the fund financial statements are expensed when used.

H. Capital Assets

General capital assets are those related to government activities. These 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.

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 maintained a capitalization threshold of \$5,000 for its general capital assets during fiscal 2006. 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.

All reported capital assets except land 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:

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	10 - 40 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	8 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans between governmental funds are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets.

Loans made from the governmental funds to the agency funds are reported as “Loans Receivable/Payable”. These loans are not eliminated on the government-wide statement of net assets.

J. Compensated Absences

GASB Statement No. 16, “Accounting for Compensated Absences”, specifies the method used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 are recognized as a liability on the fund financial statements when due.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

L. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, unclaimed monies, tax advance unavailable for appropriation and debt service. 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. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represent unclaimed monies held at fiscal year-end. As of June 30, 2006, net assets restricted by enabling legislation were \$0 in the statement of net assets.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. 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 government or imposed by enabling legislation. The District had no restricted assets at June 30, 2006.

O. 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.

P. Interfund Activity

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

Interfund transfers between governmental funds are eliminated for reporting in the government-wide statement of activities.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Q. Extraordinary and Special Items

Extraordinary items are transactions of events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2006, the District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The purpose of GASB Statement No. 44 is to improve the understandability and usefulness of the information that state and local governments present as supplementary information in the statistical section.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of these GASB Statements did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficit:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Food Service	\$ 86,559
Management Information Systems	97
Vocational Education	2,704
Title I Disadvantaged Children	956

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 this fund and provides transfers when cash is required, not when accruals occur. These deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of 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 monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Cash on Hand

At year-end, the District had \$1,050 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$3,701,689, exclusive of the \$1,290,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$3,787,956 of the District's bank balance of \$3,992,205 was exposed to custodial risk as discussed below, while \$204,249 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater Than months</u>
Repurchase Agreement	\$ 1,290,000	\$ 1,290,000	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Money Market	53,873	53,873	-	-	-	-
FHLMC Discount Note	977,412	355,572	621,840	-	-	-
FRE Discount Note	148,100	148,100	-	-	-	-
FHLMC	147,843	-	-	49,187	98,656	-
U.S. Treasury Notes	149,024	-	-	-	99,055	49,969
FHLB	1,014,614	492,426	-	423,594	-	98,594
FHLB Discount Note	134,649	134,649	-	-	-	-
FNMA Discount Note	870,290	49,155	821,135	-	-	-
FNMA	1,053,533	709,030	97,424	49,266	-	197,813
	<u>\$ 5,839,338</u>	<u>\$ 3,232,805</u>	<u>\$ 1,540,399</u>	<u>\$ 522,047</u>	<u>\$ 197,711</u>	<u>\$ 346,376</u>

The weighted average maturity of investments is .55 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments, except for the repurchase agreement as discussed above, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

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

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District's investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 1,014,614	17.38
FHLB Discount Notes	134,649	2.31
FHLMC	147,843	2.53
FRE Discount Notes	148,100	2.54
FHLMC Discount Notes	977,412	16.74
FNMA	1,053,533	18.04
FNMA Discount Notes	870,290	14.90
U.S. Treasury Notes	149,024	2.55
Repurchase Agreement	1,290,000	22.09
U.S. Treasury Money Market	53,873	0.92
	<u>\$ 5,839,338</u>	<u>100.00</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 3,701,689
Investments	5,839,338
Cash on hand	<u>1,050</u>
Total	<u>\$ 9,542,077</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 9,330,150
Private-purpose trust fund	89,307
Agency fund	<u>122,620</u>
Total	<u>\$ 9,542,077</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	<u>\$ 188,518</u>

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, 2006 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental Funds from:	<u>Amount</u>
General Fund	<u>\$ 80,096</u>

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.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

- C. Loans receivable and payable consisted of the following:

<u>Loan to</u>	<u>Loan from</u>	<u>Amount</u>
Agency funds	General	<u>\$ 310</u>

This loan will be repaid as resources become available in the private-purpose trusts.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien January 1, 2005, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for property including inventory for 2006 is 18.75%. This will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Summit and Portage Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 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, 2006 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.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

The amount available as an advance at June 30, 2006 was \$1,793,004 in the general fund and \$61,978 in the bond retirement debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$1,579,905 in the general fund and \$65,857 in the bond retirement debt service funds.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 838,347,610	92.73	\$ 911,792,170	94.77
Public utility personal	13,080,400	1.45	11,718,780	1.22
Tangible personal property	<u>52,633,230</u>	<u>5.82</u>	<u>38,613,915</u>	<u>4.01</u>
Total	<u>\$ 904,061,240</u>	<u>100.00</u>	<u>\$ 962,124,865</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.93		\$ 46.73	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), 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 receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	\$ 31,229,538
Accounts	15,115
Accrued interest	25,767
Intergovernmental	287,917
Loans	<u>310</u>
Total	<u>\$ 31,558,647</u>

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

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 563,915	\$ -	\$ -	\$ 563,915
Total capital assets, not being depreciated	<u>563,915</u>	<u>-</u>	<u>-</u>	<u>563,915</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,738,020	132,128	-	2,870,148
Buildings and improvements	30,766,324	210,635	-	30,976,959
Furniture, fixtures and equipment	3,671,400	48,463	-	3,719,863
Vehicles	<u>4,247,931</u>	<u>860,229</u>	<u>(497,927)</u>	<u>4,610,233</u>
Total capital assets, being depreciated	<u>41,423,675</u>	<u>1,251,455</u>	<u>(497,927)</u>	<u>42,177,203</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,839,994)	(91,392)	-	(1,931,386)
Buildings and improvements	(16,881,425)	(847,491)	-	(17,728,916)
Furniture, fixtures and equipment	(2,548,209)	(179,616)	-	(2,727,825)
Vehicles	<u>(2,312,951)</u>	<u>(219,811)</u>	<u>487,438</u>	<u>(2,045,324)</u>
Total accumulated depreciation	<u>(23,582,579)</u>	<u>(1,338,310)</u>	<u>487,438</u>	<u>(24,433,451)</u>
Governmental activities capital assets, net	<u>\$ 18,405,011</u>	<u>\$ (86,855)</u>	<u>\$ (10,489)</u>	<u>\$ 18,307,667</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 785,921
Special	6,154
<u>Support Services:</u>	
Pupil	3,938
Instructional staff	2,743
Administration	7,983
Fiscal	2,454
Operations and maintenance	242,551
Pupil transportation	81,865
Extracurricular activities	184,645
Food service operations	<u>20,056</u>
Total depreciation expense	<u>\$ 1,338,310</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2006, the following changes occurred in the governmental activities long-term obligations.

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/06</u>	<u>Due in</u> <u>One Year</u>
Governmental Activities:					
<u>Bond Anticipation Notes</u>					
Bus acquisition, 5.01%	\$ -	\$ 870,000	\$ -	\$ 870,000	\$ 870,000
Energy conservation, 2.39%	290,000	-	(290,000)	-	-
Energy conservation, 3.54%	-	1,730,000	-	1,730,000	1,730,000
Energy conservation, 2.39%	<u>1,730,000</u>	<u>-</u>	<u>(1,730,000)</u>	<u>-</u>	<u>-</u>
Total Bond Anticipation Notes	<u>2,020,000</u>	<u>2,600,000</u>	<u>(2,020,000)</u>	<u>2,600,000</u>	<u>2,600,000</u>
<u>General Obligation Bonds</u>					
1985 School Building, 9.125%	1,180,000	-	(590,000)	590,000	590,000
1996 Public Library, 5.33%	1,600,000	-	(370,000)	1,230,000	390,000
1996 Allen Rd., 5.16%	<u>130,000</u>	<u>-</u>	<u>(65,000)</u>	<u>65,000</u>	<u>65,000</u>
Total General Obligation Bonds	<u>2,910,000</u>	<u>-</u>	<u>(1,025,000)</u>	<u>1,885,000</u>	<u>1,045,000</u>
<u>Other Obligations:</u>					
Retirement incentive payable	2,520,566	-	(1,253,138)	1,267,428	1,267,428
Compensated absences	<u>3,545,676</u>	<u>706,620</u>	<u>(330,927)</u>	<u>3,921,369</u>	<u>447,822</u>
Total Other Obligations	<u>6,066,242</u>	<u>706,620</u>	<u>(1,584,065)</u>	<u>5,188,797</u>	<u>1,715,250</u>
Total governmental activities long-term obligations	<u>\$ 10,996,242</u>	<u>\$ 3,306,620</u>	<u>\$ (4,629,065)</u>	<u>\$ 9,673,797</u>	<u>\$ 5,360,250</u>

Bond Anticipation Notes

During fiscal year 2006, the issued and retired \$1,730,000 in bond anticipation notes whose proceeds were used for energy improvements to various District buildings. The energy improvement notes outstanding at year-end mature on December 7, 2006. In addition, the District issued \$870,000 in bond anticipation notes whose proceeds were used for the acquisition of school buses. The bus acquisition notes outstanding at year-end mature on December 7, 2006. All bond anticipation notes outstanding at year-end are considered long-term obligations in accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected To Be Refinanced" since they were refinanced on a long-term basis prior to the issuance of the financial statements. During fiscal year 2006, principal payments on the bond anticipation notes were made from the general fund and debt service fund (a nonmajor governmental fund) in the amounts of \$290,000 and \$1,730,000, respectively.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds

In fiscal years 1986 and 1997, the District issued \$11,800,000 and \$3,952,000, respectively, of general obligation bonds. These bonds were issued for the financing of improvements to the District's High School and public library buildings. These bonds, maturing on December 1, 2006 and 2008, respectively, will be retired with voted property tax levies recorded in the debt service fund. Also, in fiscal year 1997, the District issued an additional \$530,000 in general obligation bonds for the purchase of an administration building. These bonds are scheduled to mature on December 1, 2006. During fiscal year 2006, principal payments on the general obligation bonds were made from the general fund and debt service fund (a nonmajor governmental fund) in the amounts of \$65,000 and \$960,000, respectively.

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

Fiscal Year Ending	General Obligation Bonds		
	Principal	Interest	Total
2007	\$ 1,045,000	\$ 83,732	\$ 1,128,732
2008	410,000	34,085	444,085
2009	430,000	11,610	441,610
Total	<u>\$ 1,885,000</u>	<u>\$ 129,427</u>	<u>\$ 2,014,427</u>

Retirement Incentive Payable

During fiscal 2005, the District offered certified employees a retirement incentive equal to a one-time bonus of \$55,000 in addition to normal severance payments. Thirty-five employees accepted the incentive and elected to retire. During fiscal 2006, the District made \$1,253,138 in payments. The total liability for all payments remaining at June 30, 2006 is \$1,267,428 which will be paid in September 2006. The retirement incentive and severance will be paid from the fund from which the employee is paid and is recorded as a liability on both the fund and government-wide financial statements.

Compensated Absences

Compensated absences represent accumulated vacation and an estimated severance liability for employees both eligible to retire and those expected to become eligible in the future. Compensated absences will be paid from the fund from which the employee is paid.

B. 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, 2006 are a voted debt margin of \$85,398,516 an unvoted debt margin of \$962,125.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Employee Group Life, Medical, Dental, and Vision Insurance

The District has contracted with Stark County Schools Council of Government (the "Consortium") to provide medical/surgical, dental, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The Consortium is a shared risk pool comprised of forty-two members. The members pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating entities and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$250,000 per participants and an aggregate stop-loss provision of \$88,876,056.

Premium contributions are determined annually based on the claims experience of the individual member. Premiums can be increased or decrease by up to 20% of the prior year's contribution. Members may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating members claims would be paid without regard to their individual account balances. The Consortium's board of Directors has authority to return monies to an exiting member subsequent to the settlement of all claims and expenses.

The Consortium reported the following summary of actuarially measured liabilities and assets available to pay these liabilities as of June 30.

	2006	2005
Cash and investments	\$ 22,630,345	\$ 13,544,585
Actuarial liabilities	9,510,000	7,554,000

C. Workers' Compensation

The District participates in the OSBA Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$820,370, \$812,316, and \$622,239; 42.13 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$474,749 represents the unpaid pension contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 11 - PENSION PLANS - (Continued)

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions to fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$3,100,340, \$3,010,370 and \$2,808,936; 84.45 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$482,177 represents the unpaid pension contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$25,174 made by the District and \$67,708 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, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$238,488 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$418,543 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158.751 million. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants currently receiving health care benefits.

NOTE 13 - 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 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (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).

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 173,126
Net adjustment for revenue accruals	310,622
Net adjustment for expenditure accruals	963,151
Net adjustment for other sources/uses	(156,282)
Adjustment for encumbrances	350,452
GAAP basis	\$ 1,641,069

NOTE 14 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to legal proceedings. Management of the District is of the opinion that the outcome of any such legal proceeding will not have a material adverse effect, if any, on the financial condition of the District.

NOTE 15 - CONTRACTUAL COMMITMENTS

The District had a contractual commitment for a computer purchase agreement entered into during a prior fiscal year. The following is a schedule of the material contractual commitments at fiscal year-end:

<u>Project</u>	<u>Original Commitment</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Computer Purchase	\$ 885,793	\$ (442,896)	\$ 442,897

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 16 - 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, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ 22,728	\$ -
Current year set-aside requirement	898,952	898,952
Qualifying disbursements	<u>(1,226,442)</u>	<u>(1,043,659)</u>
Total	<u>\$ (304,762)</u>	<u>\$ (144,707)</u>
Cash balance carried forward to FY 2007	<u>\$ (304,762)</u>	<u>\$ -</u>

The excess disbursements during the year reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement for future years.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 17 – SIGNIFICANT SUBSEQUENT EVENTS

On December 6, 2006, the District issued \$2,347,000 in short-term bond anticipation notes to retire the bond anticipation notes outstanding at June 30, 2006. On December 11, 2006, the District Board of Education approved the issuance of \$3,822,000 in general obligation bonds to retire the \$2,347,000 bond anticipation notes and to provide \$1,475,000 for a H.B. 264 energy improvement project. The bonds bear an interest rate of 3.75%-5.00% and mature December 1, 2021. A contract was entered into between the District and the Ohio School Facilities Commission on December 14, 2006 for the H.B. 264 portion of the bond issue.

**COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES**

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
COMBINING STATEMENTS - NONMAJOR FUNDS**

Nonmajor Special Revenue Funds

Special revenue funds are used to account for revenues from specific sources which are restricted, legally or otherwise, to expenditures for specific purposes. A description of the District's special revenue funds follows:

Food Service Fund Section 3313.81, Revised Code

A fund used to account for financial transactions related to food service operations.

Special Trust Fund Section 5705.09, Revised Code

A fund used to account for assets held by a school system in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

Uniform School Supplies Fund Section 3313.81, Revised Code

A fund used to account for the purchase and sale of school supplies for use in the District. Profits derived from such sales are used for school purposes or activities connected with the school.

Public School Support Fund Section 5705.12, Revised Code

A fund used to account for specific local revenue sources (i.e.: profits from vending machines, etc.), other than taxes or expendable trusts, that are restricted to expenditures for specified purposes approved by Board resolution. Such expenditures may include curricular and extra-curricular related purposes.

Other Grants Fund Sections 5705.09 and 5705.13, Revised Code

A fund used to account for the proceeds of specific revenue sources (except for state and federal grants) that are legally restricted to expenditures for specified purposes.

District Managed Activity Fund Section 3313.062, Revised Code

A fund used to account for those student activity programs which have student participation in the activity but do not have student management of the programs. This fund usually includes athletic programs but could also include the band, cheerleaders, flag corps, and other similar types of activities.

Auxiliary Services Fund Current Budget Bill, appropriation line item 200-511

A fund used to account for receipts and expenditures incurred in providing services and materials to pupils attending non-public schools within the District.

Teacher Development Fund Current Budget Bill, appropriation line item 200-527

A fund used to account for receipts and expenditures necessary for providing assistance to local school districts for the development of in-service programs for professional staff.

Management Information Systems Fund Am. Sub. HB 111

A fund used to account for monies associated with the state-wide requirements of the Education Management Information System (EMIS).

Entry Year Programs Fund Section 3313.024, Revised Code

A fund used to assist in the implementation of entry-year programs pursuant to division (T) of section 3313.024 of the Ohio Revised Code.

Data Communication Fund Section 5705.09, Revised Code

A fund used to account for monies appropriated for the costs incurred in connecting schools to the Ohio Educational Computer Network.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
COMBINING STATEMENTS - NONMAJOR FUNDS**

Nonmajor Special Revenue Funds

SchoolNet Professional Development Fund

Section 5705.09, Revised Code

A fund used to accounts for a limited number of professional development subsidy grants.

Ohio Reads Fund

State Line Item Appropriation GRF 200-455 and 200-566

A fund used: 1) to improve reading outcomes, especially on the fourth grade reading proficiency test, and; 2) for volunteer coordinators in public schools, for educational service centers for costs associated with volunteer coordination, for background checks of volunteers, to evaluate the Ohio Reads program, and for operating expenses associated with administering the program.

Summer Intervention Fund

State Line Item Appropriation GRF 200-513

A fund used to account for summer intervention services satisfying criteria defined in division (E) of section 3313.608 of the Ohio Revised Code.

Vocational Education Enhancements Fund

State Line Item Appropriation GRF 200-545

A fund used to account for Vocational Education Enhancements that: 1) expand the number of students enrolled in tech prep programs; 2) enable students to develop career plans, to identify initial educational and career goals, and develop a career passport which provides a clear understanding of the student's knowledge, skills and credentials to present to future employers, universities, and other training institutes, and; 3) replace or update equipment essential for the instruction of students in job skills taught as part of a vocational program or programs approved for such instruction by the State Board of Education.

Miscellaneous State Grants Fund

Section 5705.12, Revised Code

A fund used to account for various monies received from State agencies not classified elsewhere.

IDEA Part B Grants Fund

Education of the Handicapped Act, PL 91-230

A fund used to account for Federal monies which assist states in the identification of handicapped children, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

Vocational Education Fund

Carl D. Perkins Vocational Education Act of 1984, PL 98-524

A fund used to account for the provision of funds to boards of education, teacher training institutions, and the state administering agency for cooperating in development of vocational education programs in the following categories: secondary, post-secondary, adult, disadvantaged and handicapped persons, exemplary programs, cooperative education, construction of area vocational schools, ancillary services, research, advisory committees, and work-study projects, including sex equity grants. Funds are administered by the Ohio Department of Education, Division of Vocational and Career Education.

Title III Limited English Proficiency

Catalog of Federal Domestic Assistance #81-041

A fund used to account for funds used to develop and carry out elementary and secondary school programs, including activities at the pre-school level, to meet the educational needs of children of limited English proficiency.

Title I Disadvantaged Children Fund

PL 97-35; Title I EESA 1965

A fund used to account for monies which are to: 1) establish or improve programs designed to meet the special educational needs of children of migratory agricultural workers or migratory fisherman, and; 2) enable state education agencies to coordinate their state and local migrant education programs and projects with similar programs and projects in other states, including the transfer of school records and other information about children of migrant workers.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
COMBINING STATEMENTS - NONMAJOR FUNDS**

Nonmajor Special Revenue Funds

Title VI Innovative Education Program Fund

PL 97-35; EESA 1965

A fund used to account for Federal revenues which support the implementation of a variety of programs such as computer education, gifted and talented programs, and in-service and staff development.

Drug Free School Grant Fund

Catalog of Federal Domestic Assistance #84-166

A fund used to account for funds to local educational agencies and consortia of these agencies to establish, operate, and improve local programs of drug abuse prevention, early intervention, rehabilitation referral and education in elementary and secondary schools, and to engage in development, training, training, technical assistance, and coordination activities.

IDEA Preschool-Handicapped Fund

Education of the Handicapped Act Amendments,
PL 99-457. Catalog of Federal Domestic Assistance #84-173

A fund used to account for the improvement and expansion of services for handicapped children ages three (3) through five (5) years.

Improving Teacher Quality Fund

Catalog of Domestic Assistance #84-340

A fund used to account for monies to hire additional classroom teachers in grades 1 through 3, so that the number of students per teacher will be reduced.

Miscellaneous Federal Grants Fund

Section 5705.12, Revised Code

A fund used to account for various monies received from the federal government directly or through state agencies which are not classified elsewhere.

STOW-MUNROE FALLS CITY SCHOOL DISTRICT
COMBINING STATEMENTS - NONMAJOR FUNDS

Nonmajor Debt Service Fund

Section 5705.09, Revised Code

The bond retirement fund is used to account for the retirement of serial bonds and short term loans. All revenues derived from general or special levies, either within or exceeding the statutory unvoted ten-mill limitation, which is levied for debt service on bonds or loans paid into this fund. Since the District maintains only one debt service fund, no combining statements are presented.

Nonmajor Capital Projects Fund

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). A description of the District's capital projects funds follows:

Permanent Improvement Fund

Section 5705.10, Revised Code

A fund used to account for all transactions related to the acquisition or construction of such permanent improvements as are authorized by Chapter 5705 of the Revised Code. Since the District maintains only one capital projects fund, no combining statements are presented.

Building Fund

Section 5705.09, Revised Code

A fund used to account for the receipts and expenditures related to all special bond funds in the district.

SchoolNet Equipment/Infrastructure Fund

Section 5705.09, Revised Code

A fund used to account for State grants to provide classroom wiring, which will support the transmission of voice, video, and data; to provide a computer workstation and related technology for every classroom in low-wealth districts.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents. . .	\$ 678,676	\$ 630,535	\$ 96,107	\$ 1,405,318
Receivables:				
Taxes.	-	723,544	277,280	1,000,824
Accounts.	13,586	-	-	13,586
Intergovernmental	287,917	-	-	287,917
Materials and supplies inventory	37,181	-	-	37,181
Total assets.	<u>\$ 1,017,360</u>	<u>\$ 1,354,079</u>	<u>\$ 373,387</u>	<u>\$ 2,744,826</u>
Liabilities:				
Accounts payable.	\$ 137,518	\$ -	\$ 3,768	\$ 141,286
Accrued wages and benefits	164,125	-	-	164,125
Pension obligation payable.	68,843	-	-	68,843
Intergovernmental payable	13,136	235	-	13,371
Interfund loan payable	188,518	-	-	188,518
Deferred revenue	19,161	661,566	277,280	958,007
Total liabilities	<u>591,301</u>	<u>661,801</u>	<u>281,048</u>	<u>1,534,150</u>
Fund balances:				
Reserved for encumbrances.	154,198	6,200	-	160,398
Reserved for property tax unavailable for appropriation	-	61,978	-	61,978
Reserved for debt service.	-	624,100	-	624,100
Unreserved:				
Undesignated, reported in:				
Special revenue funds	271,861	-	-	271,861
Capital projects funds	-	-	92,339	92,339
Total fund balances	<u>426,059</u>	<u>692,278</u>	<u>92,339</u>	<u>1,210,676</u>
Total liabilities and fund balances.	<u>\$ 1,017,360</u>	<u>\$ 1,354,079</u>	<u>\$ 373,387</u>	<u>\$ 2,744,826</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ -	\$ 1,068,115	\$ -	\$ 1,068,115
Earnings on investments	19,829	-	6,797	26,626
Charges for services	985,430	-	-	985,430
Extracurricular	321,561	-	11,975	333,536
Classroom materials and fees.	162,876	-	-	162,876
Other local revenues	225,508	-	40,026	265,534
Intergovernmental - State	603,740	134,336	-	738,076
Intergovernmental - Federal	1,837,816	-	-	1,837,816
Total revenues.	<u>4,156,760</u>	<u>1,202,451</u>	<u>58,798</u>	<u>5,418,009</u>
Expenditures:				
Current:				
Instruction:				
Regular.	612,688	-	52,185	664,873
Special	477,997	-	-	477,997
Vocational	2,399	-	-	2,399
Support services:				
Pupil	469,949	-	-	469,949
Instructional staff.	117,108	-	-	117,108
Board of education.	3,363	-	-	3,363
Administration	177,160	-	-	177,160
Fiscal.	-	15,434	-	15,434
Operations and maintenance	-	-	3,768	3,768
Pupil transportation	-	-	850,600	850,600
Central	27,000	-	-	27,000
Operation of non-instructional services.	95,872	-	-	95,872
Food service operations	1,381,034	-	-	1,381,034
Extracurricular activities	303,105	-	-	303,105
Intergovernmental pass through	482,488	-	-	482,488
Debt service:				
Principal retirement	-	2,690,000	-	2,690,000
Interest and fiscal charges.	-	147,045	-	147,045
Total expenditures	<u>4,150,163</u>	<u>2,852,479</u>	<u>906,553</u>	<u>7,909,195</u>
Excess of revenues under expenditures.	<u>6,597</u>	<u>(1,650,028)</u>	<u>(847,755)</u>	<u>(2,491,186)</u>
Other financing sources:				
Transfers in.	80,096	-	-	80,096
Issuance of notes	-	1,730,000	870,000	2,600,000
Total other financing sources	<u>80,096</u>	<u>1,730,000</u>	<u>870,000</u>	<u>2,680,096</u>
Net change in fund balances.	86,693	79,972	22,245	188,910
Fund balances				
at beginning of year	339,366	612,306	70,094	1,021,766
Fund balances at end of year	<u>\$ 426,059</u>	<u>\$ 692,278</u>	<u>\$ 92,339</u>	<u>\$ 1,210,676</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2006

	<u>Food Service</u>	<u>Special Trust</u>	<u>Uniform School Supplies</u>	<u>Public School Support</u>	<u>Other Grants</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 721	\$ 38,213	\$ 120,431	\$ 120,963	\$ 9,977
Receivables:					
Accounts.	2,700	575	3,974	436	-
Intergovernmental	35,129	-	-	-	-
Materials and supplies inventory	37,181	-	-	-	-
Total assets.	<u>\$ 75,731</u>	<u>\$ 38,788</u>	<u>\$ 124,405</u>	<u>\$ 121,399</u>	<u>\$ 9,977</u>
Liabilities:					
Accounts payable.	\$ 2,865	\$ 1,174	\$ 1,547	\$ 9,195	\$ 71
Accrued wages and benefits	97,456	-	-	-	-
Pension obligation payable.	58,045	-	-	-	-
Intergovernmental payable	3,924	-	-	27	-
Interfund loan payable	-	124	7,039	180	1,194
Deferred revenue.	-	-	-	-	-
Total liabilities.	<u>162,290</u>	<u>1,298</u>	<u>8,586</u>	<u>9,402</u>	<u>1,265</u>
Fund balances (deficits):					
Reserved for encumbrances	-	2,214	1,310	9,255	6
Unreserved-undesignated (deficit)	(86,559)	35,276	114,509	102,742	8,706
Total fund balances (deficits)	<u>(86,559)</u>	<u>37,490</u>	<u>115,819</u>	<u>111,997</u>	<u>8,712</u>
Total liabilities and fund balances.	<u>\$ 75,731</u>	<u>\$ 38,788</u>	<u>\$ 124,405</u>	<u>\$ 121,399</u>	<u>\$ 9,977</u>

<u>District Managed Activity</u>	<u>Auxiliary Services</u>	<u>Teacher Development</u>	<u>Management Information Systems</u>	<u>Entry Year Programs</u>	<u>SchoolNet Professional Development</u>	<u>Miscellaneous State Grants</u>
\$ 67,441	\$ 118,033	\$ 3,444	\$ 37	\$ 1,434	\$ 625	\$ 9,752
5,901	-	-	-	-	-	-
-	-	-	-	500	-	-
-	-	-	-	-	-	-
<u>\$ 73,342</u>	<u>\$ 118,033</u>	<u>\$ 3,444</u>	<u>\$ 37</u>	<u>\$ 1,934</u>	<u>\$ 625</u>	<u>\$ 9,752</u>
\$ 2,568	\$ 757	\$ -	\$ -	\$ 471	\$ -	\$ -
-	19,546	-	-	-	-	-
-	4,042	-	134	-	-	-
77	1,193	-	-	41	-	-
262	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,907</u>	<u>25,538</u>	<u>-</u>	<u>134</u>	<u>512</u>	<u>-</u>	<u>-</u>
5,757	78,557	-	-	963	-	-
<u>64,678</u>	<u>13,938</u>	<u>3,444</u>	<u>(97)</u>	<u>459</u>	<u>625</u>	<u>9,752</u>
<u>70,435</u>	<u>92,495</u>	<u>3,444</u>	<u>(97)</u>	<u>1,422</u>	<u>625</u>	<u>9,752</u>
<u>\$ 73,342</u>	<u>\$ 118,033</u>	<u>\$ 3,444</u>	<u>\$ 37</u>	<u>\$ 1,934</u>	<u>\$ 625</u>	<u>\$ 9,752</u>

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**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2006

	IDEA Part B Grants	Vocational Education	Title III Limited English Proficiency	Title I Disadvantaged Children
Assets:				
Equity in pooled cash and cash equivalents.	\$ 174,331	\$ 3,726	\$ 110	\$ 1,555
Receivables:				
Accounts.	-	-	-	-
Intergovernmental	203,975	-	-	281
Materials and supplies inventory	-	-	-	-
Total assets.	<u>\$ 378,306</u>	<u>\$ 3,726</u>	<u>\$ 110</u>	<u>\$ 1,836</u>
Liabilities:				
Accounts payable.	\$ 117,588	\$ -	\$ -	\$ 466
Accrued wages and benefits	31,458	6,085	-	-
Pension obligation payable.	5,216	-	-	-
Intergovernmental payable	5,701	345	-	1,136
Interfund loan payable	168,571	-	-	1,190
Deferred revenue.	-	-	-	-
Total liabilities.	<u>328,534</u>	<u>6,430</u>	<u>-</u>	<u>2,792</u>
Fund balances (deficits):				
Reserved for encumbrances	52,927	-	-	1,089
Unreserved-undesignated (deficit)	<u>(3,155)</u>	<u>(2,704)</u>	<u>110</u>	<u>(2,045)</u>
Total fund balances (deficits)	<u>49,772</u>	<u>(2,704)</u>	<u>110</u>	<u>(956)</u>
Total liabilities and fund balances.	<u>\$ 378,306</u>	<u>\$ 3,726</u>	<u>\$ 110</u>	<u>\$ 1,836</u>

Title VI Innovative Education Program	Drug Free School Grant	IDEA Preschool- Handicapped	Improving Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 1,960	\$ 4,133	\$ 21	\$ 1,246	\$ 523	\$ 678,676
-	-	-	-	-	13,586
-	-	1,366	34,548	12,118	287,917
-	-	-	-	-	37,181
<u>\$ 1,960</u>	<u>\$ 4,133</u>	<u>\$ 1,387</u>	<u>\$ 35,794</u>	<u>\$ 12,641</u>	<u>\$ 1,017,360</u>
\$ -	\$ 816	\$ -	\$ -	\$ -	\$ 137,518
-	-	-	9,580	-	164,125
-	-	-	1,406	-	68,843
132	-	-	560	-	13,136
-	2,603	611	6,626	118	188,518
-	-	-	7,161	12,000	19,161
<u>132</u>	<u>3,419</u>	<u>611</u>	<u>25,333</u>	<u>12,118</u>	<u>591,301</u>
-	874	-	1,246	-	154,198
<u>1,828</u>	<u>(160)</u>	<u>776</u>	<u>9,215</u>	<u>523</u>	<u>271,861</u>
<u>1,828</u>	<u>714</u>	<u>776</u>	<u>10,461</u>	<u>523</u>	<u>426,059</u>
<u>\$ 1,960</u>	<u>\$ 4,133</u>	<u>\$ 1,387</u>	<u>\$ 35,794</u>	<u>\$ 12,641</u>	<u>\$ 1,017,360</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Food Service</u>	<u>Special Trust</u>	<u>Uniform School Supplies</u>	<u>Public School Support</u>
Revenues:				
From local sources:				
Earnings on investments	\$ 2	\$ -	\$ -	\$ -
Charges for services	985,430	-	-	-
Extracurricular	-	1,634	-	148,473
Classroom materials and fees.	-	467	162,409	-
Other local revenues	-	47,484	-	30,000
Intergovernmental - State	7,965	-	-	-
Intergovernmental - Federal	322,921	-	-	-
Total revenues	<u>1,316,318</u>	<u>49,585</u>	<u>162,409</u>	<u>178,473</u>
Expenditures:				
Current:				
Instruction:				
Regular.	-	-	168,907	3,189
Special	-	-	-	-
Vocational	-	-	-	-
Support services:				
Pupil	-	36,847	-	131,800
Instructional staff.	-	19,038	-	-
Board of education.	-	-	-	-
Administration	-	-	-	-
Central	-	-	-	-
Operation of non-instructional services.	-	-	-	-
Food service operations.	1,381,034	-	-	-
Extracurricular activities	-	2,716	-	10,001
Intergovernmental pass through	-	-	-	-
Total expenditures	<u>1,381,034</u>	<u>58,601</u>	<u>168,907</u>	<u>144,990</u>
Excess of revenues over (under) expenditures	<u>(64,716)</u>	<u>(9,016)</u>	<u>(6,498)</u>	<u>33,483</u>
Other financing sources:				
Transfers in.	79,381	715	-	-
Total other financing sources	<u>79,381</u>	<u>715</u>	<u>-</u>	<u>-</u>
Net change in fund balances.	14,665	(8,301)	(6,498)	33,483
Fund balances (deficits)				
at beginning of year	(101,224)	45,791	122,317	78,514
Fund balances (deficits) at end of year	<u>\$ (86,559)</u>	<u>\$ 37,490</u>	<u>\$ 115,819</u>	<u>\$ 111,997</u>

Other Grants	District Managed Activity	Auxiliary Services	Teacher Development	Management Information Systems	Entry Year Programs
\$ -	\$ -	\$ 19,827	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	171,454	-	-	-	-
-	-	-	-	-	-
24,763	123,261	-	-	-	-
-	-	503,264	-	20,207	14,100
-	-	-	-	-	-
<u>24,763</u>	<u>294,715</u>	<u>523,091</u>	<u>-</u>	<u>20,207</u>	<u>14,100</u>
3,113	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	14,536
18,067	-	-	1,289	-	-
3,363	-	-	-	-	-
-	-	-	-	22,480	-
-	-	-	-	-	-
-	-	-	-	-	-
-	290,388	-	-	-	-
-	-	482,488	-	-	-
<u>24,543</u>	<u>290,388</u>	<u>482,488</u>	<u>1,289</u>	<u>22,480</u>	<u>14,536</u>
<u>220</u>	<u>4,327</u>	<u>40,603</u>	<u>(1,289)</u>	<u>(2,273)</u>	<u>(436)</u>
-	-	-	-	-	-
-	-	-	-	-	-
220	4,327	40,603	(1,289)	(2,273)	(436)
8,492	66,108	51,892	4,733	2,176	1,858
<u>\$ 8,712</u>	<u>\$ 70,435</u>	<u>\$ 92,495</u>	<u>\$ 3,444</u>	<u>\$ (97)</u>	<u>\$ 1,422</u>

-continued

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Data Communication</u>	<u>SchoolNet Professional Development</u>	<u>Ohio Reads</u>	<u>Summer Intervention</u>
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Extracurricular	-	-	-	-
Classroom materials and fees.	-	-	-	-
Other local revenues	-	-	-	-
Intergovernmental - State	27,000	3,925	12,000	3,120
Intergovernmental - Federal	-	-	-	-
Total revenues	<u>27,000</u>	<u>3,925</u>	<u>12,000</u>	<u>3,120</u>
Expenditures:				
Current:				
Instruction:				
Regular.	-	5,960	12,483	3,350
Special	-	-	-	-
Vocational	-	-	-	-
Support services:				
Pupil	-	-	-	-
Instructional staff.	-	1,480	-	-
Board of education.	-	-	-	-
Administration	-	-	-	-
Central	27,000	-	-	-
Operation of non-instructional services.	-	-	-	-
Food service operations.	-	-	-	-
Extracurricular activities	-	-	-	-
Intergovernmental pass through	-	-	-	-
Total expenditures	<u>27,000</u>	<u>7,440</u>	<u>12,483</u>	<u>3,350</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(3,515)</u>	<u>(483)</u>	<u>(230)</u>
Other financing sources:				
Transfers in.	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.	-	(3,515)	(483)	(230)
Fund balances (deficits)				
at beginning of year	-	4,140	483	230
Fund balances (deficits) at end of year	<u>\$ -</u>	<u>\$ 625</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Vocational Education Enhancements</u>	<u>Miscellaneous State Grants</u>	<u>IDEA Part B Grants</u>	<u>Vocational Education</u>	<u>Title III Limited English Proficiency</u>	<u>Title I Disadvantaged Children</u>	<u>Title VI Innovative Education Program</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,015	11,144	-	-	-	-	-
-	-	1,038,632	38,426	19,920	227,911	18,495
<u>1,015</u>	<u>11,144</u>	<u>1,038,632</u>	<u>38,426</u>	<u>19,920</u>	<u>227,911</u>	<u>18,495</u>
-	13,209	-	41,129	18,970	212,125	17,307
-	-	468,936	-	-	-	-
1,015	-	-	804	-	-	-
-	-	286,766	-	-	-	-
-	-	31,170	-	824	4,681	-
-	-	-	-	-	-	-
-	-	154,256	-	-	424	-
-	-	-	-	-	-	-
-	-	80,388	-	-	13,305	2,073
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,015</u>	<u>13,209</u>	<u>1,021,516</u>	<u>41,933</u>	<u>19,794</u>	<u>230,535</u>	<u>19,380</u>
-	(2,065)	17,116	(3,507)	126	(2,624)	(885)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(2,065)	17,116	(3,507)	126	(2,624)	(885)
-	11,817	32,656	803	(16)	1,668	2,713
<u>\$ -</u>	<u>\$ 9,752</u>	<u>\$ 49,772</u>	<u>\$ (2,704)</u>	<u>\$ 110</u>	<u>\$ (956)</u>	<u>\$ 1,828</u>

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**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Drug Free School Grant</u>	<u>IDEA Preschool- Handicapped</u>	<u>Improving Teacher Quality</u>	<u>Miscellaneous Federal Grants</u>
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Extracurricular	-	-	-	-
Classroom materials and fees.	-	-	-	-
Other local revenues	-	-	-	-
Intergovernmental - State	-	-	-	-
Intergovernmental - Federal	17,619	20,836	116,812	16,244
Total revenues	<u>17,619</u>	<u>20,836</u>	<u>116,812</u>	<u>16,244</u>
Expenditures:				
Current:				
Instruction:				
Regular.	18,317	-	80,605	14,024
Special	-	9,061	-	-
Vocational	-	-	-	580
Support services:				
Pupil	-	-	-	-
Instructional staff.	-	12,500	25,816	2,243
Board of education.	-	-	-	-
Administration	-	-	-	-
Central	-	-	-	-
Operation of non-instructional services.	106	-	-	-
Food service operations.	-	-	-	-
Extracurricular activities	-	-	-	-
Intergovernmental pass through	-	-	-	-
Total expenditures	<u>18,423</u>	<u>21,561</u>	<u>106,421</u>	<u>16,847</u>
Excess of revenues over (under) expenditures	<u>(804)</u>	<u>(725)</u>	<u>10,391</u>	<u>(603)</u>
Other financing sources:				
Transfers in.	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.	(804)	(725)	10,391	(603)
Fund balances (deficits)				
at beginning of year	1,518	1,501	70	1,126
Fund balances (deficits) at end of year	<u>\$ 714</u>	<u>\$ 776</u>	<u>\$ 10,461</u>	<u>\$ 523</u>

**Total
Nonmajor
Special Revenue
Funds**

\$	19,829
	985,430
	321,561
	162,876
	225,508
	603,740
	<u>1,837,816</u>
	<u>4,156,760</u>

612,688
477,997
2,399

469,949
117,108
3,363
177,160
27,000
95,872
1,381,034
303,105
<u>482,488</u>
<u>4,150,163</u>

<u>6,597</u>

<u>80,096</u>
<u>80,096</u>

86,693

<u>339,366</u>

\$	<u>426,059</u>
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**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Food Service Fund</u>				
Total Revenues and Other Financing Sources	\$ 1,286,050	\$ 1,297,309	\$ 1,297,309	\$ -
Total Expenditures and Other Financing Uses	<u>1,286,249</u>	<u>1,297,508</u>	<u>1,297,508</u>	<u>-</u>
Net Change in Fund Balance	(199)	(199)	(199)	-
Fund Balance, July 1	-	-	-	-
Prior Year Encumbrances Appropriated	<u>199</u>	<u>199</u>	<u>199</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>Special Trust Fund</u>				
Total Revenues and Other Financing Sources	\$ 57,895	\$ 50,130	\$ 50,130	\$ -
Total Expenditures and Other Financing Uses	<u>89,876</u>	<u>61,570</u>	<u>61,570</u>	<u>-</u>
Net Change in Fund Balance	(31,981)	(11,440)	(11,440)	-
Fund Balance, July 1	41,301	41,301	41,301	-
Prior Year Encumbrances Appropriated	<u>4,964</u>	<u>4,964</u>	<u>4,964</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 14,284</u></u>	<u><u>\$ 34,825</u></u>	<u><u>\$ 34,825</u></u>	<u><u>\$ -</u></u>
<u>Uniform School Supplies Fund</u>				
Total Revenues and Other Financing Sources	\$ 161,353	\$ 164,458	\$ 164,458	\$ -
Total Expenditures and Other Financing Uses	<u>132,991</u>	<u>171,562</u>	<u>171,562</u>	<u>-</u>
Net Change in Fund Balance	28,362	(7,104)	(7,104)	-
Fund Balance, July 1	115,385	115,385	115,385	-
Prior Year Encumbrances Appropriated	<u>8,224</u>	<u>8,224</u>	<u>8,224</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 151,971</u></u>	<u><u>\$ 116,505</u></u>	<u><u>\$ 116,505</u></u>	<u><u>\$ -</u></u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Public School Support Fund</u>				
Total Revenues and Other Financing Sources	\$ 188,600	\$ 177,285	\$ 177,285	\$ -
Total Expenditures and Other Financing Uses	<u>89,915</u>	<u>157,037</u>	<u>157,037</u>	<u>-</u>
Net Change in Fund Balance	98,685	20,248	20,248	-
Fund Balance, July 1	68,463	68,463	68,463	-
Prior Year Encumbrances Appropriated	<u>12,728</u>	<u>12,728</u>	<u>12,728</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 179,876</u>	<u>\$ 101,439</u>	<u>\$ 101,439</u>	<u>\$ -</u>
<u>Other Grants Fund</u>				
Total Revenues and Other Financing Sources	\$ 21,950	\$ 25,957	\$ 25,957	\$ -
Total Expenditures and Other Financing Uses	<u>25,865</u>	<u>24,573</u>	<u>24,573</u>	<u>-</u>
Net Change in Fund Balance	(3,915)	1,384	1,384	-
Fund Balance, July 1	8,506	8,506	8,506	-
Prior Year Encumbrances Appropriated	<u>10</u>	<u>10</u>	<u>10</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,601</u>	<u>\$ 9,900</u>	<u>\$ 9,900</u>	<u>\$ -</u>
<u>District Managed Activity Fund</u>				
Total Revenues and Other Financing Sources	\$ 339,740	\$ 292,568	\$ 292,568	\$ -
Total Expenditures and Other Financing Uses	<u>242,693</u>	<u>296,692</u>	<u>296,692</u>	<u>-</u>
Net Change in Fund Balance	97,047	(4,124)	(4,124)	-
Fund Balance, July 1	53,541	53,541	53,541	-
Prior Year Encumbrances Appropriated	<u>11,139</u>	<u>11,139</u>	<u>11,139</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 161,727</u>	<u>\$ 60,556</u>	<u>\$ 60,556</u>	<u>\$ -</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<u>Auxiliary Services Fund</u>				
Total Revenues and Other Financing Sources	\$ 521,776	\$ 521,776	\$ 521,776	\$ -
Total Expenditures and Other Financing Uses	<u>686,981</u>	<u>653,790</u>	<u>653,790</u>	<u>-</u>
Net Change in Fund Balance	(165,205)	(132,014)	(132,014)	-
Fund Balance, July 1	5,613	5,613	5,613	-
Prior Year Encumbrances Appropriated	<u>163,045</u>	<u>163,045</u>	<u>163,045</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 3,453</u></u>	<u><u>\$ 36,644</u></u>	<u><u>\$ 36,644</u></u>	<u><u>\$ -</u></u>
<u>Teacher Development Fund</u>				
Total Expenditures and Other Financing Uses	<u>\$ 4,733</u>	<u>\$ 1,289</u>	<u>\$ 1,289</u>	<u>\$ -</u>
Net Change in Fund Balance	(4,733)	(1,289)	(1,289)	-
Fund Balance, July 1	<u>\$ 4,733</u>	<u>\$ 4,733</u>	<u>\$ 4,733</u>	<u>\$ -</u>
Fund Balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ 3,444</u></u>	<u><u>\$ 3,444</u></u>	<u><u>\$ -</u></u>
<u>Management Information Systems Fund</u>				
Total Revenues and Other Financing Sources	\$ 24,000	\$ 20,207	\$ 20,207	\$ -
Total Expenditures and Other Financing Uses	<u>30,189</u>	<u>30,893</u>	<u>30,893</u>	<u>-</u>
Net Change in Fund Balance	(6,189)	(10,686)	(10,686)	-
Fund Balance, July 1	4,686	4,686	4,686	-
Prior Year Encumbrances Appropriated	<u>6,037</u>	<u>6,037</u>	<u>6,037</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 4,534</u></u>	<u><u>\$ 37</u></u>	<u><u>\$ 37</u></u>	<u><u>\$ -</u></u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Entry Year Programs Fund</u>				
Total Revenues and Other Financing Sources	\$ 17,600	\$ 13,600	\$ 13,600	\$ -
Total Expenditures and Other Financing Uses	<u>2,431</u>	<u>15,848</u>	<u>15,848</u>	<u>-</u>
Net Change in Fund Balance	15,169	(2,248)	(2,248)	-
Fund Balance, July 1	167	167	167	-
Prior Year Encumbrances Appropriated	<u>2,081</u>	<u>2,081</u>	<u>2,081</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 17,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Data Communication Fund</u>				
Total Revenues and Other Financing Sources	\$ 27,000	\$ 27,000	\$ 27,000	\$ -
Total Expenditures and Other Financing Uses	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>SchoolNet Professional Development Fund</u>				
Total Revenues and Other Financing Sources	\$ 4,600	\$ 3,925	\$ 3,925	\$ -
Total Expenditures and Other Financing Uses	<u>4,140</u>	<u>7,440</u>	<u>7,440</u>	<u>-</u>
Net Change in Fund Balance	460	(3,515)	(3,515)	-
Fund Balance, July 1	<u>4,140</u>	<u>4,140</u>	<u>4,140</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,600</u>	<u>\$ 625</u>	<u>\$ 625</u>	<u>\$ -</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Ohio Reads Fund</u>				
Total Revenues and Other Financing Sources	\$ 12,456	\$ 12,989	\$ 12,989	\$ -
Total Expenditures and Other Financing Uses	<u>12,998</u>	<u>13,531</u>	<u>13,531</u>	<u>-</u>
Net Change in Fund Balance	(542)	(542)	(542)	-
Fund Balance, July 1	<u>542</u>	<u>542</u>	<u>542</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>Summer Intervention Fund</u>				
Total Revenues and Other Financing Sources	\$ 3,741	\$ 3,120	\$ 3,120	\$ -
Total Expenditures and Other Financing Uses	<u>3,741</u>	<u>3,741</u>	<u>3,741</u>	<u>-</u>
Net Change in Fund Balance	-	(621)	(621)	-
Fund Balance, July 1	-	-	-	-
Prior Year Encumbrances Appropriated	<u>621</u>	<u>621</u>	<u>621</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 621</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>Vocational Education Enhancements Fund</u>				
Total Revenues and Other Financing Sources	\$ 1,862	\$ 1,862	\$ 1,862	\$ -
Total Expenditures and Other Financing Uses	<u>1,862</u>	<u>1,862</u>	<u>1,862</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<u>Miscellaneous State Grants Fund</u>				
Total Revenues and Other Financing Sources	\$ 11,000	\$ 13,124	\$ 13,124	\$ -
Total Expenditures and Other Financing Uses	5,923	13,209	13,209	-
Net Change in Fund Balance	5,077	(85)	(85)	-
Fund Balance, July 1	9,837	9,837	9,837	-
Fund Balance, June 30	<u>\$ 14,914</u>	<u>\$ 9,752</u>	<u>\$ 9,752</u>	<u>\$ -</u>
<u>IDEA Part B Grants Fund</u>				
Total Revenues and Other Financing Sources	\$ 1,475,003	\$ 1,278,580	\$ 1,278,580	\$ -
Total Expenditures and Other Financing Uses	1,511,702	1,315,290	1,315,290	-
Net Change in Fund Balance	(36,699)	(36,710)	(36,710)	-
Fund Balance, July 1	-	-	-	-
Prior Year Encumbrances Appropriated	36,710	36,710	36,710	-
Fund Balance, June 30	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Vocational Education Fund</u>				
Total Revenues and Other Financing Sources	\$ 39,000	\$ 38,426	\$ 38,426	\$ -
Total Expenditures and Other Financing Uses	45,422	41,953	41,953	-
Net Change in Fund Balance	(6,422)	(3,527)	(3,527)	-
Fund Balance, July 1	7,253	7,253	7,253	-
Fund Balance, June 30	<u>\$ 831</u>	<u>\$ 3,726</u>	<u>\$ 3,726</u>	<u>\$ -</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<u>Title III Limited English Proficiency Fund</u>				
Total Revenues and Other Financing Sources	\$ 20,580	\$ 19,920	\$ 19,920	\$ -
Total Expenditures and Other Financing Uses	<u>20,580</u>	<u>19,810</u>	<u>19,810</u>	<u>-</u>
Net Change in Fund Balance	-	110	110	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ 110</u>	<u>\$ -</u>
<u>Title I Disadvantaged Children Fund</u>				
Total Revenues and Other Financing Sources	\$ 255,773	\$ 256,963	\$ 256,963	\$ -
Total Expenditures and Other Financing Uses	<u>255,773</u>	<u>256,963</u>	<u>256,963</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Title V Innovative Education Program Fund</u>				
Total Revenues and Other Financing Sources	\$ 28,603	\$ 28,248	\$ 28,248	\$ -
Total Expenditures and Other Financing Uses	<u>28,705</u>	<u>26,392</u>	<u>26,392</u>	<u>-</u>
Net Change in Fund Balance	(102)	1,856	1,856	-
Fund Balance, July 1	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>102</u>	<u>102</u>	<u>102</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 2</u>	<u>\$ 1,960</u>	<u>\$ 1,960</u>	<u>\$ -</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Drug Free School Fund</u>				
Total Revenues and Other Financing Sources	\$ 25,285	\$ 24,787	\$ 24,787	\$ -
Total Expenditures and Other Financing Uses	<u>28,868</u>	<u>28,409</u>	<u>28,409</u>	<u>-</u>
Net Change in Fund Balance	(3,583)	(3,622)	(3,622)	-
Fund Balance, July 1	40	40	40	-
Prior Year Encumbrances Appropriated	<u>3,582</u>	<u>3,582</u>	<u>3,582</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 39</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>IDEA Preschool-Handicapped Fund</u>				
Total Revenues and Other Financing Sources	\$ 26,409	\$ 27,020	\$ 27,020	\$ -
Total Expenditures and Other Financing Uses	<u>28,609</u>	<u>29,220</u>	<u>29,220</u>	<u>-</u>
Net Change in Fund Balance	(2,200)	(2,200)	(2,200)	-
Fund Balance, July 1	21	21	21	-
Prior Year Encumbrances Appropriated	<u>2,200</u>	<u>2,200</u>	<u>2,200</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 21</u></u>	<u><u>\$ 21</u></u>	<u><u>\$ 21</u></u>	<u><u>\$ -</u></u>
<u>Improving Teacher Quality Fund</u>				
Total Revenues and Other Financing Sources	\$ 141,832	\$ 107,026	\$ 107,026	\$ -
Total Expenditures and Other Financing Uses	<u>143,426</u>	<u>108,620</u>	<u>108,620</u>	<u>-</u>
Net Change in Fund Balance	(1,594)	(1,594)	(1,594)	-
Fund Balance, July 1	-	-	-	-
Prior Year Encumbrances Appropriated	<u>1,594</u>	<u>1,594</u>	<u>1,594</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Miscellaneous Federal Grants Fund</u>				
Total Revenues and Other Financing Sources	\$ 7,871	\$ 20,228	\$ 20,228	\$ -
Total Expenditures and Other Financing Uses	<u>8,571</u>	<u>20,832</u>	<u>20,832</u>	<u>-</u>
Net Change in Fund Balance	(700)	(604)	(604)	-
Fund Balance, July 1	<u>1,127</u>	<u>1,127</u>	<u>1,127</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 427</u>	<u>\$ 523</u>	<u>\$ 523</u>	<u>\$ -</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Bond Retirement Fund</u>				
Total Revenues and Other Financing Sources	\$ 2,999,072	\$ 2,944,940	\$ 2,944,940	\$ -
Total Expenditures and Other Financing Uses	<u>2,920,389</u>	<u>2,867,054</u>	<u>2,867,054</u>	<u>-</u>
Net Change in Fund Balance	78,683	77,886	77,886	-
Fund Balance, July 1	<u>546,449</u>	<u>546,449</u>	<u>546,449</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 625,132</u></u>	<u><u>\$ 624,335</u></u>	<u><u>\$ 624,335</u></u>	<u><u>\$ -</u></u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2006

	Permanent Improvement	Building	SchoolNet	Total Nonmajor Capital Projects Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 84,772	\$ 11,331	\$ 4	\$ 96,107
Receivables:				
Taxes	277,280	-	-	277,280
Total assets.	\$ 362,052	\$ 11,331	\$ 4	\$ 373,387
Liabilities:				
Accounts payable.	\$ 3,768	\$ -	\$ -	\$ 3,768
Deferred revenue.	277,280	-	-	277,280
Total liabilities.	281,048	-	-	281,048
Fund balances:				
Unreserved-undesignated	81,004	11,331	4	92,339
Total fund balances	81,004	11,331	4	92,339
Total liabilities and fund balances	\$ 362,052	\$ 11,331	\$ 4	\$ 373,387

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Permanent Improvement	Building	SchoolNet	Total Nonmajor Capital Projects Funds
Revenues:				
From local sources:				
Earnings on investments	\$ 6,797	\$ -	\$ -	\$ 6,797
Extracurricular	11,975	-	-	11,975
Other local revenues	40,026	-	-	40,026
Total revenues	58,798	-	-	58,798
Expenditures:				
Current:				
Instruction:				
Regular	51,142	-	1,043	52,185
Support services:				
Operations and maintenance	3,768	-	-	3,768
Pupil transportation	850,600	-	-	850,600
Total expenditures	905,510	-	1,043	906,553
Excess of revenues over (under) expenditures	(846,712)	-	(1,043)	(847,755)
Other financing sources:				
Issuance of notes	870,000	-	-	870,000
Total other financing sources	870,000	-	-	870,000
Net change in fund balances.	23,288	-	(1,043)	22,245
Fund balances				
at beginning of year (restated)	57,716	11,331	1,047	70,094
Fund balances at end of year	\$ 81,004	\$ 11,331	\$ 4	\$ 92,339

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Permanent Improvement Fund</u>				
Total Revenues and Other Financing Sources	\$ 42,300	\$ 928,259	\$ 928,259	\$ -
Total Expenditures and Other Financing Uses	<u>95,325</u>	<u>901,742</u>	<u>901,742</u>	<u>-</u>
Net Change in Fund Balance	(53,025)	26,517	26,517	-
Fund Balance, July 1	<u>56,849</u>	<u>56,849</u>	<u>56,849</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 3,824</u></u>	<u><u>\$ 83,366</u></u>	<u><u>\$ 83,366</u></u>	<u><u>\$ -</u></u>
<u>Building Fund</u>				
Total Revenues and Other Financing Sources	\$ 1,000	\$ -	\$ -	\$ -
Total Expenditures and Other Financing Uses	<u>2,737</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,737)	-	-	-
Fund Balance, July 1	<u>11,331</u>	<u>11,331</u>	<u>11,331</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 9,594</u></u>	<u><u>\$ 11,331</u></u>	<u><u>\$ 11,331</u></u>	<u><u>\$ -</u></u>
<u>SchoolNet Equipment/Infrastructure Fund</u>				
Total Revenues and Other Financing Sources	\$ 50,000	\$ -	\$ -	\$ -
Total Expenditures and Other Financing Uses	<u>-</u>	<u>1,043</u>	<u>1,043</u>	<u>-</u>
Net Change in Fund Balance	50,000	(1,043)	(1,043)	-
Fund Balance, July 1	<u>1,047</u>	<u>1,047</u>	<u>1,047</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 51,047</u></u>	<u><u>\$ 4</u></u>	<u><u>\$ 4</u></u>	<u><u>\$ -</u></u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Scholarship Fund</u>				
Total Revenues and Other Financing Sources	\$ 46,679	\$ 40,751	\$ 40,751	\$ -
Total Expenditures and Other Financing Uses	<u>40,270</u>	<u>22,550</u>	<u>22,550</u>	<u>-</u>
Net Change in Fund Balance	6,409	18,201	18,201	-
Fund Balance, July 1	69,770	69,770	69,770	-
Prior Year Encumbrances Appropriated	<u>100</u>	<u>100</u>	<u>100</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 76,279</u>	<u>\$ 88,071</u>	<u>\$ 88,071</u>	<u>\$ -</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Beginning Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2006</u>
Student Managed Activities				
Assets:				
Equity in pooled cash and cash equivalents. . . .	\$ 136,885	\$ 222,612	\$ 236,877	\$ 122,620
Receivables				
Accounts	681	4,398	681	4,398
Total assets	\$ 137,566	\$ 227,010	\$ 237,558	\$ 127,018
Liabilities:				
Accounts payable	\$ 1,612	\$ 2,475	\$ 1,612	\$ 2,475
Loans payable.	-	310	-	310
Due to students	135,954	224,225	235,946	124,233
Total liabilities.	\$ 137,566	\$ 227,010	\$ 237,558	\$ 127,018

STATISTICAL SECTION

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**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	93-99
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	100-105
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	106-109
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	110-111
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	112-120

Sources: Sources are noted on the individual schedules. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 13,822,667	\$ 13,475,011	\$ 13,566,347	\$ 13,399,505
Restricted	1,071,897	909,159	1,097,917	1,453,640
Unrestricted	(1,014,787)	(2,357,564)	(1,303,353)	(1,333,184)
Total governmental activities net assets	<u>\$ 13,879,777</u>	<u>\$ 12,026,606</u>	<u>\$ 13,360,911</u>	<u>\$ 13,519,961</u>

Source: School District financial records.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses				
Governmental activities:				
Instruction:				
Regular	\$ 23,764,903	\$ 25,450,276	\$ 23,103,681	\$ 21,278,031
Special	3,989,858	4,313,470	3,835,287	3,592,459
Vocational	1,541,980	1,847,273	1,297,268	1,254,799
Adult/Continuing	-	-	250	989
Other instructional	940,423	737,074	936,811	1,048,792
Support services:				
Pupil	3,080,777	3,166,707	2,776,546	2,657,613
Instructional staff	2,624,390	2,985,883	2,650,470	2,269,340
Board of education	368,110	289,971	269,601	331,060
Administration	2,992,001	3,191,741	2,945,966	2,628,576
Fiscal	1,019,822	1,050,449	1,014,760	841,874
Business	588,952	445,583	488,385	378,808
Operations and maintenance	5,019,556	4,438,153	4,880,797	3,816,579
Pupil transportation	2,922,388	2,960,741	2,894,856	2,462,800
Central	422,118	505,640	584,798	464,589
Operation of non-instructional services:				
Food service operations	1,403,937	1,386,922	1,444,664	1,275,325
Other non-instructional services	135,432	57,909	501,165	459,466
Extracurricular activities	1,351,955	1,302,681	1,214,993	948,190
Intergovernmental pass-through	483,660	617,552	-	-
Interest and fiscal charges	210,613	278,866	298,510	499,049
Total governmental activities expenses	<u>52,860,875</u>	<u>55,026,891</u>	<u>51,138,808</u>	<u>46,208,339</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

CHANGES IN NET ASSETS - (Continued)
LAST FOUR FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Program Revenues	2006	2005	2004	2003
Governmental activities:				
Charges for services:				
Instruction:				
Regular	\$ 809,107	\$ 699,094	\$ 317,194	\$ 292,803
Special	-	-	52,079	273,559
Vocational	26,770	40,409	30,588	30,651
Adult/Continuing	-	-	594	594
Support services:				
Pupil	189,464	152,916	173,344	107,049
Instructional staff	14,068	24,033	15,606	91
Board of education	-	-	1,475	1,850
Administration	-	-	-	4,482
Fiscal	-	-	2,676	-
Operations and maintenance	5,342	58,547	-	-
Pupil transportation	-	55,710	-	12,776
Operation of non-instructional services:				
Food service operations	985,430	982,914	1,002,911	954,481
Extracurricular activities	315,281	273,388	411,133	244,005
Operating grants and contributions:				
Instruction:				
Regular	447,749	548,770	601,497	211,116
Special	485,548	538,298	357,782	403,185
Vocational	1,709	9,324	18,499	30,500
Support services:				
Pupil	309,623	215,783	120,346	208,502
Instructional staff	103,585	71,929	74,433	47,056
Board of education	3,294	5,322	4,607	3,877
Administration	177,466	161,481	186,115	135,723
Fiscal	-	25,195	-	-
Pupil transportation	-	141,555	-	-
Central	27,000	30,782	27,000	28,000
Operation of non-instructional services:				
Food service operations	330,886	308,308	242,925	213,206
Other non-instructional services	96,965	60,649	496,796	461,135
Extracurricular activities	12,943	9,420	11,009	6,890
Intergovernmental pass-through	503,264	522,910	-	-
Capital grants and contributions:				
Instruction:				
Regular	-	49,350	-	92,933
Support services:				
Pupil transportation	-	-	17,438	67,958
Total governmental program revenues	4,845,494	4,986,087	4,166,047	3,832,422
Net (Expense)/Revenue				
Governmental activities	\$ (48,015,381)	\$ (50,040,804)	\$ (46,972,761)	\$ (42,375,917)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes levied for:				
General purposes	\$ 29,113,425	\$ 28,523,107	\$ 26,143,723	\$ 26,032,094
Debt service	1,065,835	1,157,845	1,025,310	1,117,393
Grants and entitlements not restricted				
to specific programs	19,088,996	18,713,795	19,347,434	18,695,113
Investment earnings	489,912	263,326	115,986	138,041
Miscellaneous	110,384	48,426	181,258	427,354
Total governmental activities	49,868,552	48,706,499	46,813,711	46,409,995
Change in Net Assets				
Governmental activities	\$ 1,853,171	\$ (1,334,305)	\$ (159,050)	\$ 4,034,078

Source: School District financial records.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund:				
Reserved	\$ 1,963,826	\$ 1,776,600	\$ 997,971	\$ 1,956,797
Unreserved	<u>307,654</u>	<u>(1,146,189)</u>	<u>2,691,362</u>	<u>2,111,428</u>
Total general fund	<u>\$ 2,271,480</u>	<u>\$ 630,411</u>	<u>\$ 3,689,333</u>	<u>\$ 4,068,225</u>
All Other Governmental Funds:				
Reserved	\$ 846,476	\$ 742,648	\$ 109,833	\$ 217,874
Unreserved, reported in:				
Special revenue funds	271,861	209,024	460,608	242,451
Capital projects funds	92,339	70,094	505,149	460,722
Debt service funds	<u>-</u>	<u>-</u>	<u>295,113</u>	<u>594,179</u>
Total all other governmental funds	<u>\$ 1,210,676</u>	<u>\$ 1,021,766</u>	<u>\$ 1,370,703</u>	<u>\$ 1,515,226</u>

Source: School District financial records.

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 1,372,111 (2,639,346)	\$ 1,362,605 (1,334,226)	\$ 2,982,878 1,231,489	\$ 1,899,774 3,913,989	\$ 992,607 3,758,735	\$ 608,058 2,738,599
<u>\$ (1,267,235)</u>	<u>\$ 28,379</u>	<u>\$ 4,214,367</u>	<u>\$ 5,813,763</u>	<u>\$ 4,751,342</u>	<u>\$ 3,346,657</u>
\$ 138,503	\$ 390,903	\$ 152,576	\$ 210,687	\$ 1,060,699	\$ 364,247
338,217 (26,389) 599,421	331,954 320,421 612,121	297,588 748,548 629,124	298,504 410,516 698,765	386,181 870,854 899,891	235,687 (2,597,671) 930,945
<u>\$ 1,049,752</u>	<u>\$ 1,655,399</u>	<u>\$ 1,827,836</u>	<u>\$ 1,618,472</u>	<u>\$ 3,217,625</u>	<u>\$ (1,066,792)</u>

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues					
From local sources:					
Taxes	\$ 30,165,879	\$ 29,702,046	\$ 27,048,879	\$ 27,423,545	\$ 23,393,218
Tuition	589,338	508,996	631,116	314,206	212,566
Charges for services	985,430	982,914	1,006,187	959,054	-
Earnings on investments	491,407	251,929	118,392	139,306	224,224
Extracurricular	379,140	487,552	471,428	383,344	317,148
Classroom materials and fees	162,876	156,784	-	-	-
Other local revenues	382,040	215,829	377,775	510,143	203,932
Intergovernmental - State	19,692,736	19,534,663	21,552,374	20,399,767	18,889,960
Intergovernmental - Federal	1,837,816	1,857,907	-	-	-
Total revenues	<u>54,686,662</u>	<u>53,698,620</u>	<u>51,206,151</u>	<u>50,129,365</u>	<u>43,241,048</u>
Expenditures					
Current:					
Instruction:					
Regular	22,883,452	24,700,303	22,295,969	20,547,614	22,021,235
Special	3,996,276	4,297,974	3,805,316	3,602,048	3,001,700
Vocational	1,538,598	1,862,192	1,295,383	1,228,066	1,092,600
Adult/Continuing	-	-	250	989	-
Other	928,589	737,074	936,811	1,048,792	551,454
Current:					
Pupil	3,050,080	3,151,380	2,738,814	2,654,942	2,479,132
Instructional staff	2,601,998	3,000,488	2,632,278	2,285,101	2,464,966
Board of education	368,110	289,971	303,015	297,815	187,969
Administration	2,910,525	3,095,215	2,892,625	2,514,907	2,347,729
Fiscal	1,020,454	1,049,369	1,016,790	881,642	811,215
Business	577,389	435,379	509,438	368,961	419,944
Operations and maintenance	4,668,455	4,410,011	4,605,046	3,669,549	3,298,239
Pupil transportation	3,694,489	3,706,834	2,872,125	2,316,596	1,797,336
Central	437,537	509,889	568,325	498,893	516,893
Operation of non-instructional services:					
Food service operations	1,381,034	1,362,198	1,383,232	1,146,741	-
Other non-instructional services	134,486	66,870	500,743	466,145	485,176
Extracurricular activities	1,164,548	1,096,598	1,136,442	873,341	732,197
Intergovernmental pass-through	482,488	596,202	-	-	-
Facilities acquisitions and construction	382,551	1,997,407	-	-	-
Capital outlay	-	-	434,633	-	1,313,963
Debt service:					
Principal retirement	3,045,000	3,789,000	2,522,000	3,080,941	1,030,510
Interest and fiscal charges	200,324	271,518	339,331	446,099	577,659
Total expenditures	<u>55,466,383</u>	<u>60,425,872</u>	<u>52,788,566</u>	<u>47,929,182</u>	<u>45,129,917</u>
Excess of revenues over (under) expenditures	(779,721)	(6,727,252)	(1,582,415)	2,200,183	(1,888,869)
Other Financing Sources (Uses)					
Transfers in	80,096	109,324	202,300	46,410	136,235
Transfers (out)	(80,096)	(109,324)	(202,300)	(46,410)	(142,497)
Refund of prior year expenditure	-	-	-	-	(6,130)
Sale of assets	9,700	-	-	-	-
Capital lease transaction	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Issuance of notes	2,600,000	3,750,000	1,059,000	1,542,000	-
Total other financing sources (uses)	<u>2,609,700</u>	<u>3,750,000</u>	<u>1,059,000</u>	<u>1,542,000</u>	<u>(12,392)</u>
Net change in fund balances	<u>\$ 1,829,979</u>	<u>\$ (2,977,252)</u>	<u>\$ (523,415)</u>	<u>\$ 3,742,183</u>	<u>\$ (1,901,261)</u>
Debt service as a percentage of noncapital expenditures (1)	5.85%	6.72%	5.47%	7.36%	3.67%

Source: School District financial records.

(1) For purposes of this analysis, noncapital expenditures are defined as total expenditures less "facilities acquisition and construction" and "capital outlay" expenditures.

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$	23,943,910	\$ 22,594,354	\$ 21,955,295	\$ 22,202,373	\$ 21,427,499
	301,621	262,135	171,809	216,510	49,856
	-	-	135	1,155	-
	682,807	756,840	733,836	666,975	565,731
	454,641	503,744	469,183	432,288	413,494
	-	-	-	-	-
	338,407	296,766	222,153	389,757	154,641
	17,838,087	15,867,742	15,120,804	14,944,110	14,628,535
	-	-	-	-	-
	<u>43,559,473</u>	<u>40,281,581</u>	<u>38,673,215</u>	<u>38,853,168</u>	<u>37,239,756</u>
	23,207,596	22,507,794	19,717,623	18,907,118	18,156,988
	2,649,974	2,305,927	2,396,926	2,099,616	1,938,674
	1,012,059	958,123	909,785	1,029,753	994,802
	870	6,551	555	-	-
	-	-	-	-	-
	2,126,346	1,909,775	1,820,395	1,584,811	1,497,540
	1,792,995	1,542,288	1,331,589	1,142,293	1,115,991
	136,392	135,278	79,528	65,479	77,696
	2,064,912	1,925,364	1,797,530	1,676,952	1,655,947
	548,862	341,936	404,211	680,595	645,095
	444,877	430,697	383,175	288,390	279,327
	3,559,343	2,738,035	3,118,426	2,740,444	2,536,483
	2,193,374	2,059,104	1,547,427	1,448,586	1,490,051
	337,510	347,186	293,929	340,572	553,481
	-	-	-	-	-
	373,632	322,350	369,756	261,567	303,234
	853,519	677,521	678,149	640,554	551,504
	-	-	-	-	-
	-	-	-	-	-
	2,351,553	1,523,813	1,942,508	1,574,090	1,154,027
	1,110,409	3,721,585	4,107,199	4,586,446	1,115,989
	654,207	740,027	854,454	929,797	952,683
	<u>45,418,430</u>	<u>44,193,354</u>	<u>41,753,165</u>	<u>39,997,063</u>	<u>35,019,512</u>
	(1,858,957)	(3,911,773)	(3,079,950)	(1,143,895)	2,220,244
	43,256	9,391	620,196	2,298,537	1,179,235
	(46,042)	(12,291)	(620,422)	(2,299,461)	(1,179,389)
	-	-	-	-	-
	-	-	1,475	-	900
	-	-	-	453,581	451,588
	-	-	-	-	4,482,000
	-	2,512,000	2,544,000	2,946,000	-
	<u>(2,786)</u>	<u>2,509,100</u>	<u>2,545,249</u>	<u>3,398,657</u>	<u>4,934,334</u>
\$	<u>(1,861,743)</u>	<u>(1,402,673)</u>	<u>(534,701)</u>	<u>2,254,762</u>	<u>7,154,578</u>
	4.10%	10.46%	12.46%	14.36%	6.11%

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS

Collection Year	Real Property (a)		Tangible Personal Property (b)		Public Utility (c)	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2006	\$ 911,792,170	\$ 2,605,120,486	\$ 38,613,915	\$ 154,455,660	\$ 11,718,780	\$ 33,482,229
2005	838,347,610	2,395,278,886	52,633,230	210,532,920	13,080,400	37,372,571
2004	816,206,050	2,332,017,286	56,950,308	227,801,232	12,819,450	36,627,000
2003	799,925,210	2,285,500,600	60,365,970	241,463,880	13,556,590	38,733,114
2002	708,833,710	2,025,239,171	60,132,970	240,531,880	12,646,960	36,134,171
2001	684,911,940	1,956,891,257	59,824,252	239,297,008	15,231,380	43,518,229
2000	662,844,300	1,893,840,857	58,904,694	235,618,776	17,087,380	48,821,086
1999	613,470,610	1,752,773,171	55,039,846	220,159,384	16,756,680	47,876,229
1998	599,868,160	1,713,909,029	48,802,932	195,211,728	16,775,920	47,931,200
1997	582,692,470	1,664,835,629	45,224,954	180,899,816	17,038,280	48,680,800

Source: Summit County Auditor's Office

- (a) The assessed value of real property is fixed at 35% of true value and is determined pursuant to the State Tax Commissioner.
- (b) The rate at which tangible personal property used in business is assessed for purposes ad valorem property taxation decreased one percent each year from 35% in 1983 until it reached 25% in 1993.
- (c) Assumes public utilities are assessed at true value which is 35%.

Total		
Assessed Value	Estimated Actual Value	%
\$ 962,124,865	\$ 2,793,058,374	34.45%
904,061,240	2,643,184,377	34.20%
885,975,808	2,596,445,518	34.12%
873,847,770	2,565,697,594	34.06%
781,613,640	2,301,905,223	33.96%
759,967,572	2,239,706,494	33.93%
738,836,374	2,178,280,719	33.92%
685,267,136	2,020,808,784	33.91%
665,447,012	1,957,051,957	34.00%
644,955,704	1,894,416,245	34.05%

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
(RATE PER \$1,000 OF ASSESSED VALUE)
LAST TEN YEARS**

Tax Year/ Collection Year	Overlapping Rates		Direct Rates			
	County	City	Voted		Unvoted	Total
			General	Bond		
2005/2006	\$ 13.07	\$ 9.50	42.20	1.13	5.40	48.73
2004/2005	13.07	9.50	41.08	1.40	5.40	47.88
2003/2004	13.07	9.50	41.13	1.40	5.40	47.93
2002/2003	13.07	9.50	41.57	1.35	5.40	48.32
2001/2002	13.07	9.50	38.76	1.58	5.40	45.74
2000/2001	13.07	9.50	39.14	1.90	5.40	46.44
1999/2000	12.27	7.20	39.24	1.80	5.40	46.44
1998/1999	12.27	7.20	40.14	2.10	5.40	47.64
1997/1998	11.65	7.20	40.54	1.80	5.40	47.74
1996/1997	11.39	7.20	41.34	2.60	5.40	49.34

Source: Summit County Auditor's Office

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

PRINCIPAL PROPERTY TAX PAYERS
DECEMBER 31, 2005 AND DECEMBER 31, 2000

December 31, 2005			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value
Heron Springs Associates LLC	\$ 8,450,600	1	0.88%
Wyndham Ridge LTD	8,410,970	2	0.87%
DDR Ohio Opportunity II LLC	8,082,010	3	0.84%
Marcliff Hidden Lake Apartments Limited	4,707,350	4	0.49%
Stow-Glen Properties LLC	4,606,350	5	0.48%
Morgan Adhesive Co.	4,313,840	6	0.45%
Steels Corners Apartment Co. LTD	4,276,430	7	0.44%
Stow Associates	3,741,730	8	0.39%
Stow Falls Retail LP	2,760,630	9	0.29%
Walmart Real Estate Business Trust	2,555,600	10	0.27%
Total	<u>\$ 51,905,510</u>		<u>\$ 962,124,865</u>

December 31, 2000			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value
Ohio Edison	\$ 7,435,610	1	0.98%
DDR Ohio Opportunity II LLC	6,482,360	2	0.85%
Stow-Glen Properties LLC	4,098,190	3	0.54%
Morgan Adhesive Co.	3,680,600	4	0.48%
Stow Associates	3,588,120	5	0.47%
Aetna Life Insurance Co.	3,475,530	6	0.46%
Ohio Bell Telephone	3,284,010	7	0.43%
Steels Corners Apartment Co. LTD	2,992,420	8	0.39%
East Ohio Gas	2,605,190	9	0.34%
Stow Falls Retail Limited Partnership	2,332,920	10	0.31%
Total	<u>\$ 39,974,950</u>		<u>759,967,572</u>

Source: Summit County Auditor's Office

Note: Information on principal property tax payers prior to December 31, 2000 was unavailable.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Tax Year/ Collection Year	Current Levy	Delinquent Levy	Total Levy	Current Collection	Percent of Current Levy Collected
2005/2006	\$ 33,283,700	\$ 451,231	\$ 33,734,931	\$ 32,832,469	98.64%
2004/2005	29,823,368	725,697	30,549,065	29,097,672	97.57%
2003/2004	31,794,416	873,524	32,667,940	30,920,892	97.25%
2002/2003	31,861,265	1,055,847	32,917,112	30,850,154	96.83%
2001/2002	26,615,496	693,246	27,308,742	25,922,250	97.40%
2000/2001	26,510,502	746,175	27,256,677	25,764,327	97.19%
1999/2000	25,611,727	693,930	26,305,657	24,917,797	97.29%
1998/1999	24,831,052	500,726	25,331,778	24,330,326	97.98%
1997/1998	24,296,524	528,053	24,824,577	23,768,471	97.83%
1996/1997	24,566,526	548,856	25,115,382	24,017,670	97.77%

Source: Summit County Auditor's Office

Delinquent Collection	Total Collection	Total Collection As a Percent of Total Levy
\$ 404,077	\$ 33,236,546	98.52%
858,085	29,955,757	98.06%
802,139	31,723,031	97.11%
753,795	31,603,949	96.01%
760,037	26,682,287	97.71%
699,923	26,464,250	97.09%
485,166	25,402,963	96.57%
617,574	24,947,900	98.48%
686,657	24,455,128	98.51%
782,838	24,800,508	98.75%

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			(a) Total Primary Government	(b) Per Capita	(b) Per ADM
	General Obligation Bonds	Bond Anticipation Notes	Capital Leases			
2006	\$ 1,885,000	\$ 2,600,000	\$ -	\$ 4,485,000	\$ 130	\$ 754
2005	2,910,000	2,020,000	-	4,930,000	143	830
2004	3,910,000	1,059,000	-	4,969,000	144	833
2003	4,890,000	1,542,000	-	6,432,000	188	1,103
2002	5,850,000	2,025,000	95,941	7,970,941	236	1,377
2001	6,790,000	2,073,000	96,623	8,959,623	267	1,551
2000	7,715,000	2,179,000	282,032	10,176,032	317	1,753
1999	8,620,000	2,544,000	554,617	11,718,617	364	1,997
1998	9,510,000	2,946,000	825,816	13,281,816	418	2,257
1997	10,382,000	3,348,000	660,211	14,390,211	467	2,428

Sources:

(a) See notes to the financial statements regarding the District's outstanding debt information.

(b) See schedule " Demographic and Economic Statistic, Last Ten Years" for personal income, population and enrollment information.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Total		
2006	\$ 1,885,000	\$ 1,885,000	0.07%	\$ 55
2005	2,910,000	2,910,000	0.11%	85
2004	3,910,000	3,910,000	0.15%	114
2003	4,890,000	4,890,000	0.19%	143
2002	5,850,000	5,850,000	0.25%	173
2001	6,790,000	6,790,000	0.30%	202
2000	7,715,000	7,715,000	0.35%	240
1999	8,620,000	8,620,000	0.43%	268
1998	9,510,000	9,510,000	0.49%	299
1997	10,382,000	10,382,000	0.55%	337

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Stow-Munroe City School District (1)	\$ 4,485,000	100.00%	\$ 4,485,000
Overlapping debt:			
Summit County	70,270,000	7.43%	5,221,061
Portage County	12,620,610	0.11%	13,883
Akron Metro Regional Transit Authority	1,345,000	7.43%	99,934
City of Cuyahoga Falls	12,525,400	0.05%	6,263
City of Hudson	36,316,046	0.33%	119,843
City of Tallmadge	8,738,048	0.34%	29,709
City of Stow	22,275,000	100.00%	22,275,000
City of Munroe Falls	<u>2,105,000</u>	98.86%	<u>2,081,003</u>
 Total direct and overlapping debt	 <u>\$ 170,680,104</u>		 <u>\$ 34,331,695</u>

Source: Ohio Municipal Advisory Council

Note: Percent applicable to Stow-Munroe City School District calculated using assessed valuation of the District area value contained within the noted governmental unit divided by assessed valuation of the governmental unit.

(1) Includes general obligations bonds outstanding and bond anticipation notes outstanding at fiscal year end.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Fiscal Year	Voted Debt Limit	Total Debt Applicable to Limit	Debt Service Available Balance	Net Debt Applicable to Limit	Voted Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2006	\$ 86,591,238	\$ 1,885,000	\$ 692,278	\$ 1,192,722	\$ 85,398,516	1.38%
2005	81,365,512	2,910,000	612,306	2,297,694	79,067,818	2.82%
2004	79,737,823	3,910,000	505,149	3,404,851	76,332,972	4.27%
2003	78,646,299	4,890,000	594,179	4,295,821	74,350,478	5.46%
2002	70,345,228	5,850,000	626,013	5,223,987	65,121,241	7.43%
2001	68,397,081	6,790,000	636,539	6,153,461	62,243,620	9.00%
2000	66,495,274	7,715,000	647,378	7,067,622	59,427,652	10.63%
1999	61,674,042	8,620,000	721,551	7,898,449	53,775,593	12.81%
1998	59,890,231	9,510,000	928,381	8,581,619	51,308,612	14.33%
1997	58,046,013	10,382,000	970,747	9,411,253	48,634,760	16.21%

Source: Summit County Auditor and District financial records

Note: Ohio Bond Law sets a limit of 9% for voted debt and 1/10 of 1% for unvoted debt.

Voted Debt Margins are determined without reference to applicable monies in the District's debt service fund.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rates (3)</u>		
					<u>Summit County</u>	<u>Ohio</u>	<u>United States</u>
2006	34,404	\$ 26,646	37.4	5,949	4.6%	5.1%	4.4%
2005	34,394	25,509	36.9	5,937	5.4%	5.9%	5.0%
2004	34,394	25,509	36.9	5,966	6.1%	5.7%	5.1%
2003	34,222	25,509	36.9	5,830	6.2%	5.5%	5.7%
2002	33,771	25,509	36.9	5,787	6.0%	5.3%	6.0%
2001	33,554	25,509	36.9	5,779	4.6%	4.8%	5.8%
2000	32,139	25,509	36.9	5,804	4.2%	3.9%	4.0%
1999	32,162	16,310	33.4	5,867	4.3%	4.0%	4.1%
1998	31,762	16,310	33.4	5,885	4.1%	4.3%	4.5%
1997	30,833	16,310	33.4	5,928	4.5%	4.6%	4.9%

(1) U. S. Census Bureau

(2) District records

(3) Civilian Labor Force Estimates, Ohio Department of Job and Family Services.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

PRINCIPAL EMPLOYERS
CURRENT YEAR AND FOUR YEARS AGO

<u>Employer</u>	<u>December 31, 2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Stow-Munroe Falls City Schools	899	1	5.15%
MacTac-Morgan Adhesives	425	2	2.44%
City of Stow	250	3	1.43%
Matco Tools Corp	200	4	1.15%
Wrayco Industries Inc.	179	5	1.03%
National Machines Co.	151	6	0.87%
Audio Technica US Inc.	110	7	0.63%
The Chandler Group	98	8	0.56%
Ferry Industries Inc	68	9	0.39%
Bedell-Kruas	65	10	0.37%
Total	<u>2,445</u>		<u>14.02%</u>

<u>Employer</u>	<u>December 31, 2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Stow-Munroe Falls City Schools	639	1	3.66%
MACTAC	400	2	2.29%
Goodyear Stow Mold Plant	230	3	1.32%
Oak Technical	223	4	1.28%
Matco Tools	170	5	0.97%
Eagle Plastics Division-Plastics Components Inc.	150	6	0.86%
National Machine Company	140	7	0.80%
Norton Chemical Process-St. Gobain Norpro Corp	130	8	0.75%
Wrayco Industries Inc	115	9	0.66%
Audio Technica	114	10	0.65%
Total	<u>2,311</u>		<u>13.25%</u>

Source: City of Stow

Note: Information on principal employers prior to December 31, 2001 was not available.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**STAFFING STATISTICS
FULL TIME EQUIVALENTS (FTE) BY TYPE AND FUNCTION
LAST TEN FISCAL YEARS**

Type	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Professional Staff:										
Teaching Staff:										
Elementary	139	154	148	147	144	135	134	123	118	114
Intermediate	57	58	58	49	46	45	43	45	45	40
Middle	58	62	64	59	56	50	54	54	53	53
High	120	130	121	120	119	106	104	102	97	103
Tutors	18	19	17	20	24	31	28	17	18	19
Librarians	4	5	5	5	6	6	6	6	6	5
Others	1	2	2	2	-	2	5	2	2	2
Administration:										
District	35	38	35	32	33	52	32	31	31	29
Board Members	5	5	5	5	5	5	5	5	5	5
Auxiliary Positions:										
Counselors	11	11	10	9	10	11	12	11	11	10
Speech	5	7	7	7	6	6	6	6	4	4
Mental Health Specialists	16	7	6	6	5	5	3	3	3	2
Support Staff:										
Secretarial	41	40	39	48	43	47	38	34	36	31
Aides	57	60	63	63	63	74	56	56	42	36
Hall monitor/Security	19	17	17	23	18	21	15	21	23	17
Cooks	20	20	19	21	20	24	21	21	23	19
Custodial	38	36	37	38	28	37	33	34	34	33
Maintenance	12	11	10	11	9	9	10	9	9	9
Bus Driver	36	37	36	38	41	50	33	34	36	28
Mechanics	5	4	5	5	4	4	4	4	4	3
Extracurricular	239	207	196	191	174	190	186	181	188	173
Total	936	930	900	899	854	910	828	799	788	735

Function	2005	2005	2004	2003	2002	2001	2000	1999	1998	1997
Instruction:										
Regular	269	275	271	269	267	268	274	259	249	248
Special	46	37	39	40	33	34	28	29	28	28
Vocational	13	19	17	19	20	21	18	18	19	19
Other	62	88	75	79	66	76	73	67	59	57
Support Services:										
Pupil	35	33	31	30	37	42	34	32	33	28
Instructional staff	115	114	118	114	111	92	71	70	63	51
Administration	40	43	40	38	38	57	37	36	36	34
Fiscal	6	6	6	6	6	6	5	5	5	5
Business	-	-	-	-	-	-	1	1	1	-
Operations and maintenance	70	67	66	70	57	70	64	67	71	64
Pupil transportation	41	41	41	43	45	54	37	34	36	28
Extracurricular activities	239	207	196	191	174	190	186	181	188	173
Total Governmental Activities	936	930	900	899	854	910	828	799	788	735

Source: School District records

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Instruction:										
Regular and Special										
Enrollment (students)	5,949	5,937	5,966	5,830	5,787	5,779	5,804	5,867	5,885	5,928
Graduates	463	480	447	431	420	446	500	416	446	498
Support services:										
Board of education										
Regular meetings per year	20	20	20	19	20	20	19	18	26	20
Special meetings per year	54	56	43	17	20	14	14	11	14	7
Administration										
Student attendance rate	95.3	95.0	95.4	94.8	94.8	94.5	94.4	93.8	94.5	94.5
Fiscal										
Nonpayroll checks issued	6,504	6,328	5,899	6,163	5,938	6,252	6,197	5,616	5,599	5,842
Operations and maintenance										
Work orders completed	3,100	3,000	2,800	2,600	2,500	2,300	2,200	2,100	1,800	1,600
Square footage maintained	760,409	760,409	760,409	760,409	760,409	760,409	760,409	760,409	760,409	760,409
Pupil transportation										
Avg. students transported daily	4,161	4,573	4,367	2,372	4,585	4,543	4,814	5,023	6,658	6,276
Food service operations:										
Meals served to students	284,036	267,880	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percentage of students receiving reduced cost or free lunches	11.2%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: District records

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**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

CAPITAL ASSET STATISTICS
LAST FOUR FISCAL YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Land	\$ 563,915	\$ 563,915	\$ 563,915	\$ 563,915
Land improvements	938,762	898,026	911,288	1,029,337
Buildings and improvements	13,248,043	13,884,899	12,742,746	13,369,991
Furniture, fixtures and equipment	992,038	1,123,191	1,142,721	1,334,209
Vehicles	<u>2,564,909</u>	<u>1,934,980</u>	<u>1,224,677</u>	<u>1,249,053</u>
 Total Governmental Activities Capital Assets, net	 <u>\$ 18,307,667</u>	 <u>\$18,405,011</u>	 <u>\$ 16,585,347</u>	 <u>\$ 17,546,505</u>

Source: School District financial records.

Note: Amounts above are presented net of accumulated depreciation.

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

	2006	2005	2004	2003	2002	2001
Echo Hills Elementary (1963)						
Square feet	38,285	38,285	38,285	38,285	38,285	38,285
Capacity (students)	550	550	550	550	550	550
Enrollment	407	377	382	378	367	359
Fishcreek Elementary (1960)						
Square feet	32,153	32,153	32,153	32,153	32,153	32,153
Capacity (students)	500	500	500	500	500	500
Enrollment	389	310	296	321	305	321
Highland Elementary (1938)						
Square feet	33,324	33,324	33,324	33,324	33,324	33,324
Capacity (students)	500	500	500	500	500	500
Enrollment	360	323	335	330	314	305
Indian Trail Elementary (1969)						
Square feet	41,600	41,600	41,600	41,600	41,600	41,600
Capacity (students)	500	500	500	500	500	500
Enrollment	383	323	299	309	347	357
Riverview Elementary (1954)						
Square feet	23,277	23,277	23,277	23,277	23,277	23,277
Capacity (students)	575	575	575	575	575	575
Enrollment	290	301	319	305	331	321
Woodland Elementary (1954)						
Square feet	23,277	23,277	23,277	23,277	23,277	23,277
Capacity (students)	525	525	525	525	525	525
Enrollment	333	320	306	297	305	304
Lakeview Intermediate (1959)						
Square feet	178,882	178,882	178,882	178,882	178,882	178,882
Capacity (students)	1,050	1,050	1,050	1,050	1,050	1,050
Enrollment	867	917	941	932	932	933
Kimpton Middle School (1970)						
Square feet	117,500	117,500	117,500	117,500	117,500	117,500
Capacity (students)	1,125	1,125	1,125	1,125	1,125	1,125
Enrollment	918	973	955	940	954	978
High School (1987)						
Square feet	254,514	254,514	254,514	254,514	254,514	254,514
Capacity (students)	2,050	2,050	2,050	2,050	2,050	2,050
Enrollment	2,002	1,985	1,987	1,916	1,892	1,873
Central office (1996)						
Square feet	11,000	11,000	11,000	11,000	11,000	11,000
Transportation and warehouse (1987)						
Square feet	6,597	6,597	6,597	6,597	6,597	6,597

Source: District records

Note: Year of original construction is in parentheses. Increases in square footage and capacity are the result of renovations and additions. Capacity is the "program" capacity and decreases are the result of changes in federal, state or local standards.

2000	1999	1998	1997
38,285	38,285	38,285	38,285
550	550	550	550
379	401	395	412
32,153	32,153	32,153	32,153
500	500	500	500
309	361	360	375
33,324	33,324	33,324	33,324
500	500	500	500
330	378	381	389
41,600	41,600	41,600	41,600
500	500	500	500
363	407	415	411
23,277	23,277	23,277	23,277
575	575	575	575
320	342	368	385
23,277	23,277	23,277	23,277
525	525	525	525
282	320	344	355
178,882	178,882	178,882	178,882
1,050	1,050	1,050	1,050
943	960	956	923
117,500	117,500	117,500	117,500
1,125	1,125	1,125	1,125
973	940	897	915
254,514	254,514	254,514	254,514
2,050	2,050	2,050	2,050
1,906	1,954	1,962	1,985
11,000	11,000	11,000	11,000
6,597	6,597	6,597	6,597

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	General Government		Governmental Activities (2)		Enrollment
	Expenses (1)	Cost per pupil	Expenses (1)	Cost per pupil	
2006	\$ 52,221,059	\$ 8,778	\$ 52,650,262	\$ 8,850	5,949
2005	56,365,354	\$ 9,494	\$ 54,748,025	\$ 9,221	5,937
2004	49,927,235	\$ 8,368	\$ 50,840,298	\$ 8,521	5,966
2003	44,402,142	\$ 7,616	\$ 45,709,290	\$ 7,841	5,830
2002	43,521,748	\$ 7,521	N/A	N/A	5,787
2001	43,653,814	\$ 7,555	N/A	N/A	5,779
2000	39,731,742	\$ 6,845	N/A	N/A	5,804
1999	36,791,512	\$ 6,271	N/A	N/A	5,867
1998	34,480,820	\$ 5,859	N/A	N/A	5,885
1997	32,950,840	\$ 5,559	N/A	N/A	5,928
1996	32,748,965	\$ 5,532	N/A	N/A	5,920

Source: District records

(1) Debt Service totals have been excluded.

(2) The District implemented GASB 34 in fiscal year 2003.

Percent Change	Teaching Staff	Pupil/Teacher Ratio	Student Attendance Percentage
0.20%	380	15.66	95.30%
-0.49%	396	14.99	95.00%
2.35%	393	15.18	95.40%
0.75%	322	18.10	94.80%
0.14%	349	16.58	94.80%
-0.44%	342	16.90	94.50%
-1.08%	302	19.22	94.40%
-0.31%	296	19.82	93.80%
-0.72%	283	20.80	94.50%
0.13%	278	21.32	94.50%
0.00%	224	26.43	94.60%

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**TEACHER STATISTICS
JUNE 30, 2006**

<u>Degree</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
Bachelor's Degree	269	70.79%
Master's Degree	111	29.21%
	<u>380</u>	<u>100.00%</u>

<u>Years of Experience</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
0 - 5	123	32.37%
6 - 10	106	27.89%
11 and over	151	39.74%
	<u>380</u>	<u>100.00%</u>

Source: School District Personnel Records



Mary Taylor, CPA
Auditor of State

STOW MUNROE FALLS CITY SCHOOL DISTRICT

SUMMIT 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 13, 2007**