



**Auditor of State
Betty Montgomery**

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

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**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	NonCash Receipts	Disbursements	NonCash Disbursement
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	10.550	N/A		\$ 197,711		\$ 197,711
National School Breakfast Program	10.553	05-PU-2003 05-PU-2004	15,964 45,563		15,964 45,563	
Total National School Breakfast Program			61,527		61,527	
National School Lunch Program	10.555	LL-P4-2003 LL-P4-2004	125,080 363,100		125,080 363,100	
Total National School Lunch Program			488,180		488,180	
Total Nutrition Cluster			549,707	197,711	549,707	197,711
Child Care Food Program	10.558	CCCP-2003 CCCP-2004 CCMO-2003 CCMO-2004	107 483 1,841 10,541		107 483 1,841 10,541	
Total Child Care Food Program			12,972		12,972	
Team Nutrition Training Grant	10.574	TWAD-2004	2,000			
Total United States Department of Agriculture			564,679	197,711	562,679	197,711
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education</i>						
Adult Education	84.002	AB-S1-2003 AB-S1-2003C AB-S1-2004	2,257 11,049 38,390		2,257 11,049 38,390	
Total Adult Education			51,696		51,696	
Title I Grant to Local Educational Agencies	84.010	C1-S1-2003 C1-S1-2004	11,164 351,921		105,990 343,456	
Total Title I Grant to Local Educational Agencies			363,085		449,446	
<i>Special Education Cluster:</i>						
Special Education Grant to States (IDEA Part B)	84.027	6B-SF-2003P 6B-SF-2004	73,712 967,259		118,773 946,884	
Total Special Education Grant to States (IDEA Part B)			1,040,971		1,065,657	
Special Education - Preschool Grants	84.173	PG-S1-2003P PG-S1-2004			1,159 3,446	
Total Special Education - Preschool Grants			7,429		4,605	
Total Special Education Cluster			1,048,400		1,070,262	
Safe and Drug Free Schools and Communities - National Program	84.184C	T4-S1-2004P T4-S1-2004	3,889 2,460		1,704 1,832	
Total Safe and Drug Free Schools and Communities - National Program			6,349		3,536	
Safe and Drug Free Schools and Communities - State Grants	84.186	DR-S1-2000 DR-S1-2002 DR-S1-2004			111 2,685 20,885	
Total Safe and Drug Free Schools and Communities - State Grants			27,330		23,681	
Even Start	84.213	EV-S1-2002 EV-T0-2003 EV-T1-2004	(15,468) 38,968 174,613		198 30,733 169,463	
Total Even Start			198,113		200,394	
Innovative Education Programs Strategies	84.298	C2-S1-2003 C2-S1-2004	18,976 67,520		51,440 66,556	
Total Innovative Education Programs Strategies			86,496		117,996	
Title II- Part D Education Technology	84.318	TJ-S1-2004	12,805		11,699	
School Renovation Grant	84.352A	AT-S3-2002	(191)		5,249	
Title III- Part A (ESEA) English Language Acquisition Grant	84.365	T3-S1-2003 T3-S1-2004 T3-S2-2004			484 13,182 18,956	
Total Title III- Part A (ESEA)			31,865		32,622	
Title II- Part A Improving Teacher Quality	84.367	TR-S1-2003 TR-S1-2004	84,752 134,865		6,928 74,260	
Total Title II- Part A Improving Teacher Quality			219,617		81,188	
Vocational Education_Basic Grants to States (Carl Perkins) <i>Passed through Centerville City School District</i> Vocational Education_Basic Grants to States (Carl Perkins)	84.048	20-AO-2004 20-AO-2001 20-AO-2002 20-AO-2003 20-AO-2004	6,000 86,055		2,104 2,514 17,444 43,043	
Total Vocational Education_Basic Grants to States			92,055		65,105	
Total United States Department of Education			2,137,620		2,112,874	
UNITED STATES DEPARTMENT OF HUMAN SERVICES						
<i>Passed through Montgomery County Educational Service Center</i>						
Medical Assistance Program	93.778	N/A	3,536		3,536	
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program		N/A	134,756		211,453	
Total United States Department of Human Services - Medical Assistance Program			138,292		214,989	
Total Federal Assistance			\$ 2,840,591	\$ 197,711	\$ 2,890,542	\$ 197,711

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

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State Grants and local funds. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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

Kettering City School District
Montgomery County
3750 Far Hills Avenue
Kettering, Ohio 45429

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kettering City School District, Montgomery County, (the District), as of and for the fiscal year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. Additionally, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated December 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the District's management in a separate letter dated December 22, 2004.

This report is intended solely for the information and use of management, the Board of Education, 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 22, 2004



Auditor of State Betty Montgomery

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

Kettering City School District
Montgomery County
3750 Far Hills Avenue
Kettering, Ohio 45429

To the Board of Education:

Compliance

We have audited the compliance of Kettering City School District, Montgomery 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, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, we noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter date December 22, 2004.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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

Schedule of Federal Awards Receipts and Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 22, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 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 a whole.

This report is intended for the information and use of management, the Board of Education, 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.



Betty Montgomery
Auditor of State

December 22, 2004

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA #10.550: Food Distribution Program CFDA #10.553: National School Breakfast Program- CFDA #10.555: National School Lunch Program CFDA #84.010: Title I
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number 2004-001

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund should not exceed the total estimated revenue. At December 31, 2003, the following funds had appropriations in excess of the amount certified as available:

Fund	Estimated Resources as of December 31, 2003	Appropriations as of December 31, 2003	Variances
Special Revenue Funds:			
Uniform School Supplies	\$126,427	\$268,000	(\$141,573)
Special Enterprise	132,431	365,249	(232,818)
Athletic	178,428	755,189	(576,761)
Auxiliary Services	162,997	1,200,000	(1,037,003)
Public School Preschool	4,130	235,000	(230,870)
EESA Title II	8,414	125,000	(116,586)
EESA Title VI-B	17,410	950,000	(932,590)
Even Start Program	9,839	190,000	(180,161)
Title I	(8,526)	325,000	(333,526)
Title VI Innovation	(12,796)	99,000	(111,796)

The District should continually monitor and review the Certificates of Estimated Resources and all approved Appropriation measures to verify that Appropriations do not exceed Estimated Resources, as required by this section the above Section of Revised Code.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

KETTERING CITY SCHOOL DISTRICT

Montgomery County, Ohio



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**

Prepared by:
Mr. Steven G. Clark
Treasurer

KETTERING CITY SCHOOL DISTRICT

BOARD OF EDUCATION



**James S. Trent,
President**



**Sally Roush Brown
Vice President**



**Lori Simms
Board Member**



**Julie A. Gilmore
Board Member**



**George Bayless
Board Member**



**Dr. Robert Mengerink
Superintendent**



**Steven G. Clark
Treasurer/CFO**

KETTERING CITY SCHOOL DISTRICT

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Kettering City School District

3750 Far Hills Avenue
Kettering, Ohio 45429

Treasurer's Office: phone (937) 499-1409

fax (937)-296-7625

December 22, 2004

TO THE CITIZENS AND BOARD OF EDUCATION OF THE KETTERING CITY SCHOOL DISTRICT:

We are pleased to present the ninth Comprehensive Annual Financial Report (CAFR) of the Kettering City School District for the fiscal year ended June 30, 2004. This report was prepared by the Treasurer's Office, and includes the unqualified opinion of our independent auditors, The Ohio Auditor of State. 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 are accurate in all material respects and are 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 CAFR conforms to generally accepted accounting principles (GAAP) applicable to governmental entities.

The CAFR is presented in three sections:

The Introductory Section, which is unaudited, includes this letter of transmittal, an organization chart, a list of the District's elected board members and other members of the administration, the GFOA Certificate of Achievement and the ASBO Certificate for Excellence in Financial Reporting.

The Financial Section begins with the Report of Independent Accountants and includes Management's Discussion and Analysis (MD&A), the basic financial statements and notes that provide an overview of the District's financial position and results of operations; the combining statements for nonmajor funds and other schedules that provide information relative to the basic financial statements.

The Statistical Section, which is unaudited, includes selected financial, economic and demographic information, generally presented on a multi-year basis.

The MD&A provides a narrative introduction, overview and analysis to accompany the basic financial statements. This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Report of Independent Auditors.

Copies of this report will be widely distributed throughout the District. A copy will be sent to all school buildings, the Chamber of Commerce, major taxpayers, the Public Library, Moody's and Standard and Poor's financial rating services, banks, and any other interested parties.

KETTERING CITY SCHOOL DISTRICT

Letter of Transmittal For the Fiscal Year Ended June 30, 2004

This report includes all funds of the District. The District provides a full range of traditional and non-traditional educational programs and services. These include elementary and secondary curriculum offerings at the general, college preparatory and vocational levels; a broad range of co-curricular and extra curricular activities; adult and community education offerings; special education programs and facilities and community recreation facilities.

In addition to providing these general activities, the District receives pass-thru State funds which are distributed to private and parochial schools located within the District boundaries. The private school served by the Kettering City School District is Alexandria Montessori. The parochial schools served by the Kettering City School District are St. Albert Elementary School, St. Charles Elementary School, Ascension Elementary School and Alter High School. While these organizations share operational and service similarity with the District, each are separate and distinct entities. Because of their independent nature, none of these organizations' financial statements are included in this report. The District has no component units.

HISTORY AND BACKGROUND

The year 2004 marked the 162nd year of existence for the Van Buren Township/ Kettering City School District. Van Buren Township was established on June 26, 1841, through separation from Dayton. The township was at first divided into small one-room district schools (#1, #6, #9, #10, #11 and #12) and later into Carrmonte, Pasadena and Fairmont elementary districts. Oakwood and Belmont were originally part of Van Buren Township. Oakwood formed its own district in 1926. Later, the Belmont area was annexed to Dayton.

Kettering City, the second largest public school district in the greater Dayton metropolitan area, lies south of Dayton and Oakwood, north of Centerville/Washington Township and west of Greene County. The City of Kettering and part of the City of Moraine fall under the jurisdiction of the school district.

Three names have been associated with the current Kettering City School District: Van Buren, Kettering and Moraine.

Van Buren Township was named for President Martin Van Buren. In 1803, Montgomery County was created, and four townships were formed. Dayton Township included the area now known as Kettering. Van Buren Township separated from Dayton in 1841 and remained a separate township with its own schools until 1952, when residents voted to become the Village of Kettering.

In 1954, Dayton proposed annexing the Delco facilities. The earlier annexation of Belmont did not sit well with Van Buren Township. Not wanting further erosion of the township, Van Buren countered, applied for, and was granted exempted village status, the last time such status was given in Ohio. This move was spearheaded by then Superintendent Dwight L. Barnes and Assistant Superintendent J. E. Prass. The exempted village status precluded the proposed Delco annexation by Dayton and secured the area for Van Buren/Kettering.

KETTERING CITY SCHOOL DISTRICT

Letter of Transmittal For the Fiscal Year Ended June 30, 2004

A special census conducted in 1954-55 verified that the township had more than 10,000 residents, and in 1955, the township became the City of Kettering.

The City of Kettering and hence the Kettering City School District were named in honor of Charles F. Kettering, the noted inventor of the automobile self-starter and holder of more than 150 patents. Together with Edward A. Deeds, Mr. Kettering formed a partnership in 1909, known as the "Barn Gang" since they, and other engineers, worked in Deeds' barn. That partnership developed into the Dayton Engineering Laboratories Company (DELCO), with Deeds as President and Kettering as Vice-President. In 1916, DELCO was sold to General Motors. During World War I, Deeds and Kettering organized the Dayton Wright Airplane Company and invented "The Bug" a remote-controlled, unmanned aircraft. The war ended before "The Bug" could be used. Charles F. Kettering's other accomplishments included work with leaded gasoline, freon refrigeration, diesel locomotion, and quick-drying car paint.

Kettering was a very civic-minded man, directing both his efforts and funds into the Sloan-Kettering Institute for Cancer Research, the Kettering Foundation, which works to strengthen the public role in government, educational and science policy, and the Miami Conservancy District, instrumental in flood control.

Moraine took its name from the pre-historic glacier, which deposited vast amounts of sand and gravel over the terrain. Because of concern over police and fire department services, the west Moraine section voted to become a separate township in 1953. They became a village in 1957 and a city in 1965. Throughout this period, Moraine has retained its ties to the Kettering City School District.

The Kettering City School District currently has a population of about 61,940 and covers 21.3 square miles. The City of Moraine has 6,854 residents of whom approximately 1,371 reside within the Kettering City School District and encompasses 9.22 square miles of which approximately 2.9 are within the Kettering City School District.

The official opening enrollment of the District was 7,721 (approximately 199 from Moraine) enrolled in nine elementary schools, two middle schools and one high school during the 2003-04 school year. Other facilities operated by the District include a maintenance building, a transportation building, and the Central Office Building that had been a high school and junior high school previously. The Central Office Building also houses the district's alternative high school program.

On September 15, 1998 the Kettering City Board of Education passed a resolution to change the name of the school district from the Kettering-Moraine School District to the Kettering City School District effective July 1, 1998.

ORGANIZATION OF THE DISTRICT

The Board of Education of the Kettering City School District is a five member body politic and corporate, as defined by Section 3313.02, Ohio Revised Code. The Board serves as the taxing authority, contracting body, policy maker, and ensures that all other general laws of the State of Ohio are followed in the expenditure of the District's tax dollars, and approves the annual appropriation resolution and tax budget.

KETTERING CITY SCHOOL DISTRICT

Letter of Transmittal For the Fiscal Year Ended June 30, 2004

The Board members on June 30, 2004 were as follows:

George Bayless
Lori Simms
Julie Ann Gilmore
Sally Roush Brown
James S. Trent

The Superintendent is the chief executive officer of the District, responsible directly to the Board for all operations. Dr. Robert A. Mengerink was appointed as Superintendent effective August 1, 1998.

The Treasurer/CFO is the chief financial officer of the District, responsible directly to the Board for maintaining all financial records, issuing all payments, maintaining custody of all District funds and assets, and investing idle funds as specified by Ohio Law. Steven G. Clark was appointed Treasurer effective January 3, 2000.

ECONOMIC CONDITION AND OUTLOOK

The economic environment for Kettering's business community continued to be one of relative stability during 2003. Kettering's unemployment rate has consistently run well below the averages for the local area, the State of Ohio and the United States. This trend continued in 2004. Kettering's unemployment rate for 2003 was 3.2% compared to rates of 6.3% for Montgomery County, 6.1% for the State of Ohio and 6.0% for the United States.

Kettering's broad range of businesses includes several major employers. These employers include Kettering Medical Center employing 2,900, Delphi Automotive Systems a manufacturer of automobile brake and suspension systems employing over 1,700, Victoria's Secret Catalogue with 1,500 employees and Monogram Services Co. a credit card processing center with 1,200 employees. Other major employers include Scitex Digital Printing Co. a manufacturer of digital printers, Defense and Finance Accounting Services a federal government accounting services center, a number of engineering firms and computer hardware and software related businesses.

Reynolds and Reynolds, a fortune 1000 company based in Dayton since 1866 has completed its Phase II at the Miami Valley Research Park located in Kettering. The company moved more than 700 new employees into the new site in 2002 and now employs 1,500 at the Research Park campus. The company is starting Phase III to be completed in 2005. Phase III will add 130,000 square feet to the facility and an additional 300 employees.

In addition to the more significant expansions and additions in the Kettering business community, over 70 small businesses opened and expanded in Kettering creating over 700 jobs.

KETTERING CITY SCHOOL DISTRICT

Letter of Transmittal For the Fiscal Year Ended June 30, 2004

Economic Conditions and Outlook (Moraine)

The local economy was fairly stable during 2003. Although there were employment losses in some areas the City did have employment increases in other areas. Some of the highlights for the year are described below:

Phase I of the Southern Hills crossing retail development along Dixie Drive and Dorothy Lane was completed in 2003. This development included a Super Wal-mart, a Bob Evans restaurant and a Longhorn Steakhouse. These projects and several others will help create new jobs and retain current jobs in Moraine.

There were twelve new businesses, which moved into Moraine during the year. In addition to the new businesses, several of the existing businesses expanded during 2003.

During the year, there were four new single-family home permits and no new multi-family apartment permits issued. In total there 238 building permits issued during the year with a total construction value of over \$4.2 million. Of the building permits issued there were 171 commercial permits and 67 residential permits.

Even with the anticipated job losses during 2003, the City's income tax collections remained stable compared to 2002 collections. With a number of positive opportunities for the future the City will continue to work toward business and residential growth over the coming years.

EMPLOYEE RELATIONS

The Board employs 1,037 full-time-equivalent (FTE) employees (including non-teaching personnel). Of the Board's current employees, 615 (FTE) are certificated by the Ohio Department of Education serving as classroom teachers, education specialists and administrators, all of whom have at least a bachelor's degree and 418 of whom hold advanced degrees. The starting salary for a teacher with a bachelor's degree for the period beginning August 1, 2003 was \$29,286. The maximum teacher salary in 2003-2004 for a master's degree was \$72,921 with 28 years longevity.

562 of the Board's certificated teachers and educational specialists are members of the Kettering Education Association ("KEA") which is a labor organization affiliated with the Ohio Education Association. The present contract between the Board and the Association became effective July 1, 2003 and expires May 31, 2006.

257 of the Board's classified employees are members of the Ohio Association of Public School Employees ("OAPSE") which is a labor organization affiliated with the American Federation of State, County and Municipal Employees ("AFSCME"). The previous contract between the Board and OAPSE became effective August 1, 2000 and expired July 31, 2003. The new contract between the Board and OAPSE became effective August 1, 2003 and expires July 31, 2006

KETTERING CITY SCHOOL DISTRICT

Letter of Transmittal For the Fiscal Year Ended June 30, 2004

These agreements marked a continuation of the historical turn in labor relations between the District, KEA, and OAPSE. The collaborative interest-based bargaining approach that involves the exchange of ideas, concerns and mutual problem solving to improve the instruction of students and to address the needs of the District in a cooperative manner was used and resulted in a third consecutive 4-year negotiated agreement with both employee bargaining groups.

MAJOR INITIATIVES

For the Year...and the future...

During fiscal year 2004, the District went through the Phase I of our first four school buildings for new construction and renovations, as the result of the voters of the Kettering City School District overwhelmingly approved a 4.9-mill bond issue that paved the way for an ambitious \$102,400,000 Facilities Improvement Project that will result in new construction and renovations at each of the district's 12 schools.

In the coming months, the District will now focus on the completion of the Phase II projects, which include new additions and renovations of our remaining eight schools buildings.

When completed, the addition of an athletic arena at the district's high school, new gymnasiums at four of the district's elementary schools and small-instruction/meeting space at each building will provide not only excellent educational space, but also much-needed space for community use during off-hours.

FINANCIAL INFORMATION

The District's accounting system is organized on a "fund" basis. Each fund is a distinct, self-balancing entity. Records for general governmental operations are maintained on a cash basis system of accounting as prescribed by the Auditor of State. Cash basis accounting differs from GAAP as promulgated by the Governmental Accounting Standards Board (GASB). GAAP, as more fully described in the notes to the financial statements, provides for a modified accrual basis of accounting for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Permanent Fund, and for full accrual basis of accounting for the Internal Service Fund and Agency Funds. The District began a conversion to GAAP for financial reporting with the 1992 fiscal year.

Internal Controls

The 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 are 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 cost and benefits requires estimates and judgments by management.

KETTERING CITY SCHOOL DISTRICT

Letter of Transmittal For the Fiscal Year Ended June 30, 2004

Single Audit Act

As a recipient of federal and state financial assistance, the District is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the District.

The results of the District's single audit for the fiscal year ended June 30, 2004 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls

The District maintains its accounts, appropriations and other financial records in accordance with the procedures established and prescribed by the Ohio Auditor of State. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriation resolution approved by the Board of Education. Activities of all funds are included in the annual appropriation resolution. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level for all funds of the District except the General Fund which is at the object level. This District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts at year-end are carried forward to succeeding years and are not re-appropriated. 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.

Risk Management

The District maintains protection for its assets and employees through a comprehensive insurance program. Insurance policies for vehicle fleet liability, general liability, property loss and boiler and machinery coverage are purchased from the Indiana Insurance Company through the Brower Insurance Agency, P.L.L. Employee health insurance is provided by Anthem Blue Cross, and dental insurance is provided by a self-insured plan administered by CoreSource, a third party administrator.

Cash Management

The District's cash management program addresses the issues of safety, liquidity and yield while maximizing returns. The District utilizes the State Treasury Asset Reserve of Ohio (Star Ohio) program investment pool operated by the Treasurer of State, Joseph Deters, for ready cash and yield. Certificates of Deposit, Treasury Notes, Bankers' Acceptances, Commercial Paper and Repurchase Agreements are utilized for both short and intermediate terms. Treasury notes and agency notes are utilized for longer term investments.

KETTERING CITY SCHOOL DISTRICT

Letter of Transmittal For the Fiscal Year Ended June 30, 2004

OTHER INFORMATION

Independent Audit

The State of Ohio Requires an annual audit by either the Auditor of State or by an independent public accounting firm. The State Auditor performed the audit for the fiscal year ended June 30, 2004. The auditor's report on the District's basic financial statements, combining and individual fund statements and schedules, is included in the financial section of this Comprehensive Annual Financial Report.

Awards

The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kettering City School District for its comprehensive annual financial report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

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 contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Kettering City School District has received a Certificate of Achievement for the last 9 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The Association of School Business Officials of the United States and Canada awarded a Certificate of Excellence in Financial Reporting to the Kettering City School District for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This award certifies that a Comprehensive Annual Financial Report substantially conforms to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials. This award is granted only after an extensive review of the report by an expert panel of certified public accountants and practicing school business officials.

A Certificate of Excellence is valid for a period of one year only. The Kettering City school District has received a Certificate of Excellence for the last 10 consecutive years. We believe our current report continues to conform to the Certificate of Excellence program requirements, and we are submitting it to ASBO.

KETTERING CITY SCHOOL DISTRICT

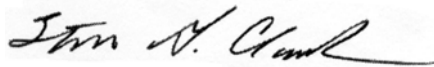
Letter of Transmittal For the Fiscal Year Ended June 30, 2004

Acknowledgments

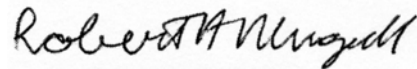
The preparation of publication of this ninth Comprehensive Annual Financial Report would not have been possible without the cooperation and support of the entire staff of the Treasurer's Office and the Business Services Department. Sincere appreciation is extended to Rosalinda G. Revels, Assistant Treasurer, for her exceptional individual effort and dedication to this achievement. A special thanks to Kenneth Lackey, and the Business Services staff; Community Relations Coordinator – Kari Basson; Montgomery County Auditor's Office; Kettering City Finance Department; Moraine City Finance Department; and the State Auditor's Office for their special support. Also, special thanks to Schonhardt & Associates and staff for assistance in the preparation of this financial report.

Finally, this report would not have been possible without the leadership of the Board of Education, who approved the reorganization of the Treasurer's Office to include the position of Assistant Treasurer, and their commitment to excellence in financial accountability.

Sincerely,



Mr. Steven G. Clark, CFO
Treasurer



Dr. Robert A. Mengerink, PhD.
Superintendent

KETTERING CITY SCHOOL DISTRICT

Principal Officials

For the Fiscal Year Ended June, 30, 2004

Elected Officials

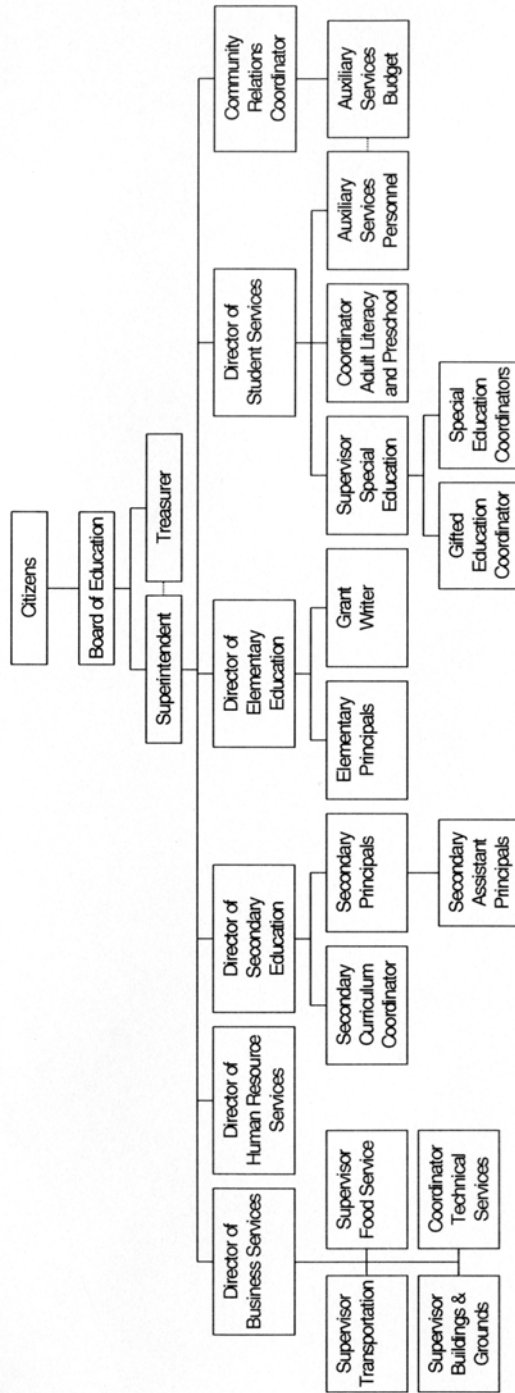
President – Board Of Education	....	Mr. James Trent
Vice President – Board Of Education	....	Mrs. Sally Roush Brown
Board Member	....	Ms. Lori Simms
Board Member	....	Miss Julie Ann Gilmore
Board Member	....	Mr. George Bayless

Administrative Officials

Superintendent	....	Dr. Robert A Mengerink
Treasurer	....	Mr. Steven G. Clark
Director – Student Services	....	Mr. William J. Lautar
Director – Human Resources	....	Mr. Frank Spolrich
Director – Business Services	....	Mr. Ken Lackey
Supervisor – Special Education	....	Mrs. Susan D. Nelson

KETTERING CITY SCHOOL DISTRICT

Organizational Chart
For the Fiscal Year Ended June, 30, 2004

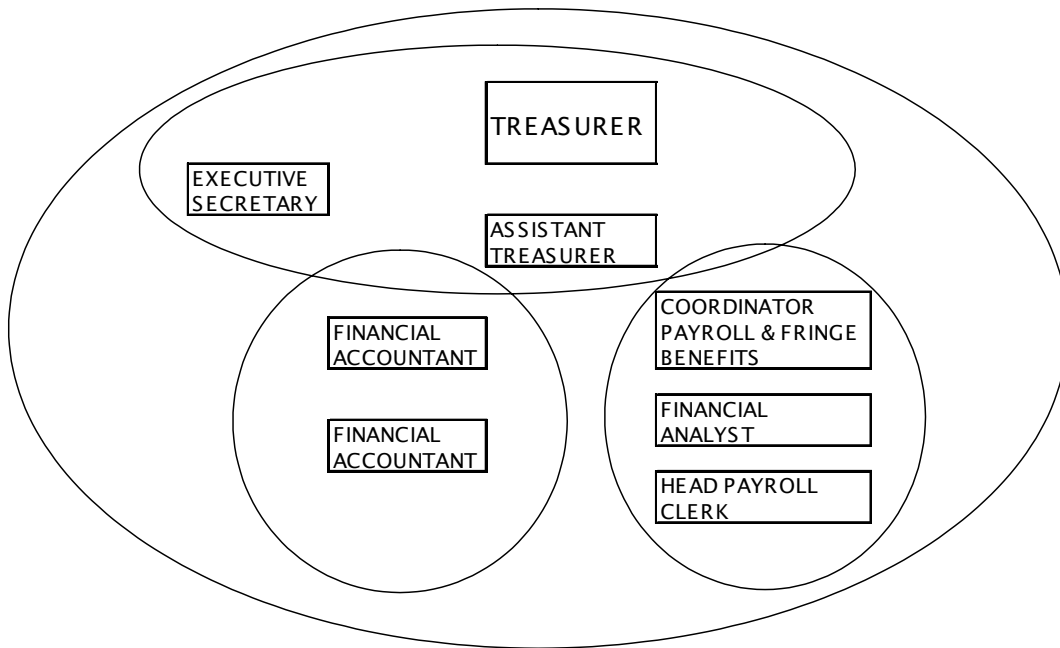


KETTERING CITY SCHOOL DISTRICT

*Office of the Treasurer
For the Fiscal Year Ended June 30, 2004*

Team Organization

Treasurer	....	Steven G. Clark
Assistant Treasurer	....	Rosalinda G. Revels
Coordinator – Payroll and Fringe Benefits	....	Jill E. Lopez
Financial Analyst	....	Paula L. Calderone
Executive Secretary	....	B. Diane Pence
Financial Accountant	....	Denise Hargis
Financial Accountant	....	Robin Keogh
Head Payroll Clerk	....	Sonia G. Dermis



KETTERING CITY SCHOOL DISTRICT

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

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Kettering City School
District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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.



Edward Haney

President

Jeffrey R. Emmer

Executive Director

KETTERING CITY SCHOOL DISTRICT

*Association of School Business Officials
Certificate of Excellence in Financial Reporting*

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

KETTERING CITY SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2003

Upon recommendation of the Association's Panel of Review which has judged the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

William F. Zell
President

Debra W. Keller
Executive Director

FINANCIAL SECTION



KETTERING CITY SCHOOL DISTRICT





**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Kettering City School District
Montgomery County
3750 Far Hills Avenue
Dayton, Ohio 45429

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kettering City School District, Montgomery County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining fund statements, and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining fund statements to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section or the statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Betty Montgomery
Auditor of State

December 22, 2004

KETTERING CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

Unaudited

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

In total, net assets decreased \$4,669,288, a 22.4% decrease from 2003.

General revenues accounted for \$68,403,029 in revenue or 89.1% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,376,678 or 10.9% of total revenues of \$76,779,707.

The District had \$81,448,995 in expenses related to governmental activities; only \$8,376,678 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$68,403,029 were adequate to provide for these programs.

Among major funds, the general fund had \$57,139,737 in revenues and \$63,610,895 in expenditures. The general fund's fund balance decreased \$6,503,907, to \$12,237,639. Revenues increased from 2003 by 6% primarily due to the increase in property tax revenues. Expenditures increased from 2003 by 5.7% primarily due to increases in salaries and wages. Other increases included tuition paid to the County, due to an increase in the number of special students attending the County Program. Previously the State paid the County directly but current practices require payment from the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

KETTERING CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

Unaudited

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

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

- Governmental Activities – The District's programs and services are reported as governmental activities and include instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

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

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

Proprietary Fund – The District uses an internal service fund to report activities that provide services for the District's other programs and activities. The proprietary fund is reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities.

KETTERING CITY SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004***

Unaudited

Fiduciary Funds – The District is the trustee, or fiduciary, for various student-managed activity programs and for employee benefit deposits listed as agency funds. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2004 compared to 2003.

	Governmental Activities		Increase (Decrease)
	2004	2003	
Current and other assets	\$172,101,992	\$182,655,484	(\$10,553,492)
Capital assets, Net	42,817,898	20,065,834	22,752,064
Total assets	<u>214,919,890</u>	<u>202,721,318</u>	12,198,572
Long-term debt outstanding	121,499,592	110,753,194	10,746,398
Other liabilities	77,284,086	71,162,624	6,121,462
Total liabilities	<u>198,783,678</u>	<u>181,915,818</u>	16,867,860
Net assets			
Invested in capital assets, net of related debt	20,269,335	14,371,663	5,897,672
Restricted	4,287,594	7,026,684	(2,739,090)
Unrestricted	(8,420,717)	(592,847)	(7,827,870)
Total net assets	<u>\$16,136,212</u>	<u>\$20,805,500</u>	<u>(\$4,669,288)</u>

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KETTERING CITY SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2004:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$3,215,181	\$2,823,234	\$391,947
Operating Grants and Contributions	5,085,821	15,710,262	(10,624,441)
Capital Grants and Contributions	75,676	210,254	(134,578)
General revenues:			
Taxes	49,123,574	40,776,276	8,347,298
Grants and Entitlements	17,028,707	5,489,380	11,539,327
Investment earnings	1,520,926	1,252,041	268,885
Miscellaneous	729,822	884,864	(155,042)
Total revenues	76,779,707	67,146,311	9,633,396
Program Expenses			
Instruction:			
Regular	30,173,674	27,787,301	2,386,373
Special	6,597,531	5,615,537	981,994
Vocational	1,882,912	1,854,566	28,346
Adult/Continuing	47,683	39,572	8,111
Other Instruction	2,032,719	1,680,376	352,343
Support Services:			
Pupils	5,840,364	5,251,197	589,167
Instructional Staff	4,118,932	3,934,628	184,304
Board of Education	47,482	64,558	(17,076)
Administration	6,257,514	5,501,734	755,780
Fiscal Services	1,570,031	1,358,463	211,568
Business	1,280,184	838,218	441,966
Operation and Maintenance of Plant	7,077,799	7,021,493	56,306
Pupil Transportation	2,887,069	2,621,551	265,518
Central	1,229,421	1,374,618	(145,197)
Non-Instructional Services	3,973,750	3,831,599	142,151
Extracurricular Activities	1,576,132	1,547,392	28,740
Interest and Fiscal Charges	4,855,798	2,865,622	1,990,176
Total expenses	81,448,995	73,188,425	8,260,570
Change in Net Assets	(4,669,288)	(6,042,114)	1,372,826
Net Assets Beginning of Year	20,805,500	26,847,614	(6,042,114)
Net Assets End of Year	\$16,136,212	\$20,805,500	(\$4,669,288)

KETTERING CITY SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

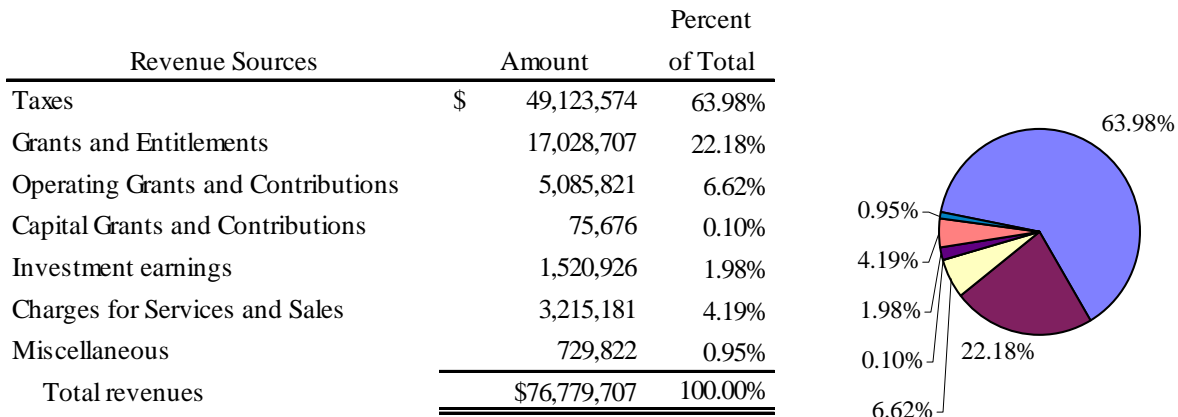
Unaudited

Governmental Activities

Net assets of the District's governmental activities decreased by \$4,669,288. This was due to a combination of factors, primarily due to the increase in interest and fiscal charges on the large capital improvement bond issued in 2003.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. However, the assessed millage cannot be reduced below 20 mills, according to state statutes.

The District's reliance upon tax revenues is demonstrated by the following graph indicating 63.98% of total revenues from general tax revenues:



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$91,374,886, which is less than last year's total of \$110,391,328. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$12,237,639	\$18,741,546	(\$6,503,907)
Debt Service	2,291,869	5,233,203	(2,941,334)
Building Capital Projects	73,948,536	83,760,036	(9,811,500)
Other Governmental	2,896,842	2,656,543	240,299
Total	\$91,374,886	\$110,391,328	(\$19,016,442)

KETTERING CITY SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

General Fund – The District's General Fund balance decrease is due to many factors, primarily due to the increase in salaries and benefits payable to employees. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2004 Revenues	2003 Revenues	Increase (Decrease)
Taxes	\$39,534,289	\$36,239,312	\$3,294,977
Tuition and Fees	66,253	131,530	(65,277)
Transportation	236,469	153,028	83,441
Interest	274,464	545,805	(271,341)
Intergovernmental	16,405,372	16,336,208	69,164
Extracurricular Activities	54,320	59,438	(5,118)
Classroom Materials and Fees	7,686	6,686	1,000
Miscellaneous	560,884	441,621	119,263
Total	\$57,139,737	\$53,913,628	\$3,226,109

General Fund revenues in 2004 increased approximately 6% compared to revenues in fiscal year 2003. The major factor contributing to this increase was property tax revenues associated with the levy that passed in 2003.

	2004 Expenditures	2003 Expenditures	Increase (Decrease)
Instruction :			
Regular	\$27,785,781	\$26,547,687	\$1,238,094
Special	5,030,067	4,479,187	550,880
Vocational	1,660,689	1,578,283	82,406
Other Instruction	1,960,539	1,650,834	309,705
Supporting Services :			
Pupils	4,759,271	4,450,340	308,931
Instructional Staff	3,553,729	3,390,846	162,883
Board of Education	46,043	63,163	(17,120)
Administration	5,326,732	4,777,190	549,542
Fiscal Services	1,393,961	1,262,484	131,477
Business	623,235	730,388	(107,153)
Operation & Maintenance of Plant	6,621,640	6,375,638	246,002
Pupil Transportation	2,383,088	2,349,572	33,516
Central	1,046,833	1,110,377	(63,544)
Non-Instructional Services	2,252	1,622	630
Extracurricular Activities	1,068,255	1,042,543	25,712
Facility Acquisition and Construction	2,986	34,342	(31,356)
Debt Service:			
Principal Retirement	281,873	276,244	5,629
Interest & Fiscal Charges	50,421	62,311	(11,890)
	\$63,597,395	\$60,183,051	\$3,414,344

KETTERING CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

Unaudited

The expenditures increased by \$3,414,344 or 5.67% over the prior year mostly due to salaries and wages increases which affect the increase in fringe benefits, as well. Other increases included tuition paid to the County, due to an increase in the number of special students attending the County Program. Previously the State paid the County directly but current practices require payment from the General Fund.

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

During the course of fiscal year 2004, the District amended its general fund three times, none significant.

For the General Fund, budget basis revenue of \$61 million was a decrease from the original budget estimates of \$63 million. Decreases in taxes were offset with increases in intergovernmental revenue. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004 the District had \$42,817,898 net of accumulated depreciation invested in land, buildings and improvements, furniture, vehicles and equipment and construction in progress. All capital assets are related to governmental activities. The following table shows fiscal year 2003 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$ 466,616	\$ 466,616	0
Building and Improvements	31,578,194	31,578,194	0
Furniture, Vehicles and Equipment	5,410,615	5,164,489	246,126
Construction in Progress	26,107,826	2,951,881	23,155,945
Less: Accumulated Depreciation	(20,745,353)	(20,095,346)	(650,007)
Totals	<u>\$42,817,898</u>	<u>\$20,065,834</u>	<u>\$ 22,752,064</u>

The primary increase occurred in construction in progress, which include projects for building improvements such as new roofs, windows and heating system replacements. Additional information can be found in Note 9.

As of June 30, 2004, the District has contractual commitments of \$32,593,185 for additional construction and renovation items related to its facilities. Additional information can be found in Note 17.

KETTERING CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

Unaudited

Debt

At June 30, 2004, the District had \$114,742,691 million in bonds outstanding, \$2,649,359 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2004:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
General Obligation Bonds	\$114,742,691	\$105,283,934
Capital Leases Payable	781,270	249,605
Compensated Absences	<u>5,975,631</u>	<u>5,219,655</u>
Totals	<u>\$121,499,592</u>	<u>\$110,753,194</u>

Under current state statutes, the District's combined voted and unvoted general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2004, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

ECONOMIC FACTORS

The District is financially sound, although not overly affluent. The District relies on its property taxes and State Foundation Funds to provide the funds necessary to maintain the educational programs.

A challenge facing the District is the future of state funding. On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including a change in the school districts that are used as the basis for determining the base cost support amount and fully funding parity aid no later than the beginning of fiscal year 2004. In general, it is expected the decision would result in an increase in State funding; however, on November 2, 2001, the Court granted the state's motion for reconsideration. On December 11, 2002, the Court issued its latest opinion, reaffirming its earlier decisions that Ohio's current school funding plan is unconstitutional. The Ohio Supreme Court relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school funding scheme that is "thorough and efficient". As of the date of these financial statements, the District is unable to determine what effect, if any, the decision and the reconsideration will have on its future state funding and on its financial operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Steven G. Clark, Treasurer, 3750 Far Hills Avenue, Kettering, Ohio, 45429.

KETTERING CITY SCHOOL DISTRICT



KETTERING CITY SCHOOL DISTRICT

Statement of Net Assets June 30, 2004

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 51,941,282
Investments	65,753,537
Receivables:	
Taxes	53,672,129
Intergovernmental	260,764
Interest	147,549
Inventory of Supplies at Cost	285,588
Inventory Held for Resale	28,342
Restricted Assets:	
Cash and Cash Equivalents	12,801
Capital Assets, Net	42,817,898
Total Assets	214,919,890
Liabilities:	
Accounts Payable	4,860,608
Accrued Wages and Benefits	7,390,844
Intergovernmental Payable	1,595,134
Claims Payable	179,520
Deferred Revenue	47,606,025
Accrued Interest Payable	651,955
General Obligation Notes Payable	15,000,000
Long Term Liabilities:	
Due Within One Year	3,381,797
Due in More Than One Year	118,117,795
Total Liabilities	198,783,678
Net Assets:	
Invested in Capital Assets, Net of Related Debt	20,269,335
Restricted For:	
Debt Service	2,299,876
Other Purposes	1,987,718
Unrestricted (Deficit)	(8,420,717)
Total Net Assets	\$ 16,136,212

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

Statement of Activities For the Fiscal Year Ended June 30, 2004

		Program Revenues			Net (Expense)
		Charges for	Operating	Capital Grants	Revenues and
	Expenses	Services and	Grants and	and	Changes in
		Sales	Contributions	Contributions	Net Assets
Governmental Activities:					Governmental
					Activities
Instruction:					
Regular	\$ 30,173,674	\$ 556,262	\$ 601,711	\$ 0	\$ (29,015,701)
Special	6,597,531	0	1,529,940	0	(5,067,591)
Vocational	1,882,912	31,420	272,149	0	(1,579,343)
Adult/Continuing	47,683	0	43,624	0	(4,059)
Other Instruction	2,032,719	0	0	0	(2,032,719)
Support Services:					
Pupils	5,840,364	427,550	161,319	0	(5,251,495)
Instructional Staff	4,118,932	21,491	115,965	0	(3,981,476)
Board of Education	47,482	0	0	0	(47,482)
Administration	6,257,514	256,369	48,279	0	(5,952,866)
Fiscal Services	1,570,031	0	0	0	(1,570,031)
Business	1,280,184	0	0	0	(1,280,184)
Operation and Maintenance of Plant	7,077,799	0	15,636	75,676	(6,986,487)
Pupil Transportation	2,887,069	0	1,500	0	(2,885,569)
Central	1,229,421	0	66,042	0	(1,163,379)
Non-Instructional Services	3,973,750	1,569,095	2,229,656	0	(174,999)
Extracurricular Activities	1,576,132	352,994	0	0	(1,223,138)
Interest and Fiscal Charges	4,855,798	0	0	0	(4,855,798)
Total Governmental Activities	\$ 81,448,995	\$ 3,215,181	\$ 5,085,821	\$ 75,676	\$ (73,072,317)
General Revenues					
Taxes					49,123,574
Grants and Entitlements not Restricted to Specific Programs					17,028,707
Investment Earnings					1,520,926
Miscellaneous					729,822
Total General Revenues					68,403,029
Change in Net Assets					(4,669,288)
Net Assets Beginning of Year					20,805,500
Net Assets End of Year					\$ 16,136,212

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service	Building Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 2,029,908	\$ 1,968,392	\$ 44,231,952	\$ 3,520,225	\$ 51,750,477
Investments	16,896,630	0	48,856,907	0	65,753,537
Receivables:					
Taxes	45,991,296	7,002,765	0	678,068	53,672,129
Intergovernmental	0	0	0	260,764	260,764
Interest	80,668	0	66,881	0	147,549
Due from Other Funds	14,720	0	0	0	14,720
Inventory of Supplies at Cost	285,588	0	0	0	285,588
Inventory Held for Resale	0	0	0	28,342	28,342
Restricted Assets:					
Cash and Cash Equivalents	0	0	0	12,801	12,801
Total Assets	\$ 65,298,810	\$ 8,971,157	\$ 93,155,740	\$ 4,500,200	\$ 171,925,907
Liabilities:					
Accounts Payable	\$ 596,576	\$ 0	\$ 4,001,990	\$ 262,042	\$ 4,860,608
Accrued Wages and Benefits	6,970,363	0	0	420,481	7,390,844
Intergovernmental Payable	1,022,258	0	0	79,803	1,102,061
Due to Other Funds	0	0	0	14,720	14,720
Deferred Revenue	44,471,974	6,679,288	66,881	826,312	52,044,455
Accrued Interest Payable	0	0	138,333	0	138,333
General Obligation Notes Payable	0	0	15,000,000	0	15,000,000
Total Liabilities	53,061,171	6,679,288	19,207,204	1,603,358	80,551,021
Fund Balances:					
Reserved for Encumbrances	849,343	0	39,733,999	534,849	41,118,191
Reserved for Supplies Inventory	285,588	0	0	28,342	313,930
Reserved for Debt Service	0	1,968,392	0	0	1,968,392
Reserved for Property Taxes	1,580,912	323,477	0	30,098	1,934,487
Reserved for Endowments	0	0	0	12,801	12,801
Unreserved, Undesignated in:					
General Fund	9,521,796	0	0	0	9,521,796
Special Revenue Funds	0	0	0	1,459,620	1,459,620
Capital Projects Funds	0	0	34,214,537	830,565	35,045,102
Permanent Fund	0	0	0	567	567
Total Fund Balances	12,237,639	2,291,869	73,948,536	2,896,842	91,374,886
Total Liabilities and Funds Balances	\$ 65,298,810	\$ 8,971,157	\$ 93,155,740	\$ 4,500,200	\$ 171,925,907

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2004

Total Governmental Fund Balances \$ 91,374,886

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 42,817,898

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

Taxes Receivable - accrual basis	4,131,617	
Interest Receivable - accrual basis	128,471	
Grants Receivable - accrual basis	178,342	
Total		4,438,430

The internal service fund is used by management to charge
the costs of insurance to individual funds. The assets
and liabilities of the internal service fund is included in
governmental activities in the statement of net assets. 11,285

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

Amounts Due Within One Year	(3,381,797)	
Amounts Due in More Than One Year	(118,117,795)	
Long-term portion of Pension Payable	(493,073)	
Accrued Interest on Long-Term Debt	(513,622)	
Total		(122,506,287)

Net Assets of Governmental Funds **\$ 16,136,212**

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Building Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 39,534,289	\$ 6,356,077	\$ 0	\$ 615,133	\$ 46,505,499
Tuition and Fees	66,253	0	0	67,397	133,650
Transportation	236,469	0	0	0	236,469
Interest	274,464	0	1,098,124	19,867	1,392,455
Sales	0	0	0	1,569,095	1,569,095
Intergovernmental	16,405,372	503,777	295,000	5,170,491	22,374,640
Extracurricular Activities	54,320	0	0	516,965	571,285
Classroom Materials and Fees	7,686	0	0	264,910	272,596
Miscellaneous	560,884	59,801	22,825	518,398	1,161,908
Total Revenue	57,139,737	6,919,655	1,415,949	8,742,256	74,217,597
Expenditures:					
Current:					
Regular	27,785,781	0	0	599,526	28,385,307
Special	5,030,067	0	0	1,270,340	6,300,407
Vocational	1,660,689	0	0	104,404	1,765,093
Adult/Continuing	0	0	0	45,990	45,990
Other Instruction	1,960,539	0	0	0	1,960,539
Supporting Services:					
Pupils	4,759,271	0	0	747,388	5,506,659
Instructional Staff	3,553,729	0	0	342,243	3,895,972
Board of Education	46,043	0	0	0	46,043
Administration	5,326,732	10,247	0	572,045	5,909,024
Fiscal Services	1,393,961	62,893	0	5,920	1,462,774
Business	623,235	0	0	601,167	1,224,402
Operation and Maintenance of Plant	6,621,640	0	0	140,068	6,761,708
Pupil Transportation	2,383,088	0	0	182,477	2,565,565
Central	1,046,833	0	0	91,804	1,138,637
Non-Instructional Services	2,252	0	0	3,778,398	3,780,650
Extracurricular Activities	1,068,255	0	0	440,075	1,508,330
Facility Acquisition and Construction	2,986	0	25,925,783	241,448	26,170,217
Debt Service:					
Principal Retirement	281,873	5,268,670	0	0	5,550,543
Interest and Fiscal Charges	50,421	4,519,179	301,666	0	4,871,266
Total Expenditures	63,597,395	9,860,989	26,227,449	9,163,293	108,849,126
Excess (Deficiency) of Revenues Over Expenditures	(6,457,658)	(2,941,334)	(24,811,500)	(421,037)	(34,631,529)
Other Financing Sources (Uses):					
General Obligation Bonds Issued	0	0	15,000,000	0	15,000,000
New Capital Lease	0	0	0	653,538	653,538
Transfers In	0	0	0	24,401	24,401
Transfers Out	(13,500)	0	0	(10,901)	(24,401)
Total Other Financing Sources (Uses)	(13,500)	0	15,000,000	667,038	15,653,538
Net Change in Fund Balance	(6,471,158)	(2,941,334)	(9,811,500)	246,001	(18,977,991)
Fund Balances at Beginning of Year	18,741,546	5,233,203	83,760,036	2,656,543	110,391,328
Decrease in Inventory Reserve	(32,749)	0	0	(5,702)	(38,451)
Fund Balances End of Year	\$ 12,237,639	\$ 2,291,869	\$ 73,948,536	\$ 2,896,842	\$ 91,374,886

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (18,977,991)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 22,767,814

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets net of proceeds received. (15,750)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 2,562,110

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. (10,102,995)

In the statement of activities, interest is accrued on outstanding bonds whereas in governmental funds, an interest expenditure is reported when due. 15,468

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (825,404)

The internal service fund is used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. (92,540)

Change in Net Assets of Governmental Activities \$ (4,669,288)

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 44,557,915	\$ 39,532,328	\$ 40,574,096	\$ 1,041,768
Tuition and Fees	65,000	65,000	66,478	1,478
Transportation	0	0	253,474	253,474
Interest	375,000	375,000	378,904	3,904
Intergovernmental	17,520,947	20,541,157	16,405,372	(4,135,785)
Extracurricular Activities	35,500	35,501	54,320	18,819
Classroom Material and Fees	0	0	7,686	7,686
Miscellaneous	420,000	420,000	435,788	15,788
Total Revenues	62,974,362	60,968,986	58,176,118	(2,792,868)
Expenditures:				
Current:				
Instruction:				
Regular	26,956,454	27,274,006	27,800,946	(526,940)
Special	4,705,790	4,696,292	4,895,808	(199,516)
Vocational	1,685,010	1,733,459	1,703,178	30,281
Other Instruction	1,626,264	1,964,281	2,417,107	(452,826)
Support Services:				
Pupils	4,841,644	4,947,187	4,724,571	222,616
Instructional Staff	3,351,771	3,417,028	3,574,271	(157,243)
Board of Education	62,414	66,796	56,761	10,035
Administration	5,339,905	5,472,830	5,312,738	160,092
Fiscal Services	1,722,790	1,741,249	1,362,642	378,607
Business	746,997	721,231	688,983	32,248
Operation and Maintenance of Plant	6,676,274	6,999,998	6,884,285	115,713
Pupil Transportation	2,530,268	2,595,091	2,383,664	211,427
Central	1,101,263	1,206,294	1,160,090	46,204
Non-Instructional Services	2,300	2,619	2,616	3
Extracurricular Activities	1,135,950	1,135,956	1,062,402	73,554
Facility Acquisition and Construction	14,708	5,488	5,486	2
Debt Service:				
Principal Retirement	325,450	323,432	281,873	41,559
Interest and Fiscal Charges	103,589	103,589	50,421	53,168
Total Expenditures	62,928,841	64,406,826	64,367,842	38,984

(Continued)

KETTERING CITY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,521	(3,437,840)	(6,191,724)	(2,753,884)
Other Financing Sources (Uses):				
Transfers Out	(13,500)	(13,500)	(13,500)	0
Advances Out	(100,000)	0	0	0
Refund of Prior Year's Expenditures	180,000	180,000	186,379	6,379
Refund of Prior Year's Receipts	0	(920)	(920)	0
Total Other Financing Sources (Uses):	66,500	165,580	171,959	6,379
Net Change in Fund Balance	112,021	(3,272,260)	(6,019,765)	(2,747,505)
Fund Balance at Beginning of Year	22,206,339	22,206,339	22,206,339	0
Prior Year Encumbrances	1,378,811	1,378,811	1,378,811	0
Fund Balance at End of Year	\$ 23,697,171	\$ 20,312,890	\$ 17,565,385	\$ (2,747,505)

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund
June 30, 2004

	Governmental Activities - Internal Service Fund
Assets:	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 190,805
Total Assets	<u>190,805</u>
Liabilities:	
<i>Current Liabilities:</i>	
Claims Payable	<u>179,520</u>
Total Liabilities	<u>179,520</u>
Net Assets:	
Unrestricted	11,285
Total Net Assets	<u>\$ 11,285</u>

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

***Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2004***

	Governmental Activities - Internal Service Funds
Operating Revenues:	
Charges for Services	\$ 629,176
Total Operating Revenues	<u>629,176</u>
Operating Expenses:	
Purchased Services	<u>722,718</u>
Total Operating Expenses	<u>722,718</u>
Operating Loss	(93,542)
Nonoperating Revenue (Expenses):	
Interest	<u>1,002</u>
Total Nonoperating Revenues (Expenses)	<u>1,002</u>
Change in Net Assets	(92,540)
Net Assets Beginning of Year	<u>103,825</u>
Net Assets End of Year	<u>\$ 11,285</u>

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

	Governmental Activities - Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$629,176
Cash Payments for Claims	<u>(711,324)</u>
Net Cash Used by Operating Activities	<u>(82,148)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	<u>1,002</u>
Net Cash Provided by Investing Activities	<u>1,002</u>
Net Decrease in Cash and Cash Equivalents	(81,146)
Cash and Cash Equivalents at Beginning of Year	<u>271,951</u>
Cash and Cash Equivalents at End of Year	<u><u>\$190,805</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$93,542)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Claims Payable	<u>11,394</u>
Total Adjustments	<u>11,394</u>
Net Cash Used by Operating Activities	<u><u>(\$82,148)</u></u>

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

Statement of Net Assets
Fiduciary Funds
June 30, 2004

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 165,213
Total Assets	<u>165,213</u>
Liabilities:	
Claims Payable	39,844
Due to Others	64,822
Due to Students	<u>60,547</u>
Total Liabilities	<u>165,213</u>
Total Net Assets	<u>\$ 0</u>

See accompanying notes to the basic financial statements

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Kettering City School District (District) was originally chartered in 1841 by the Ohio State Legislature. In 1853 State laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 422 (FTE) classified personnel and 615 (FTE) certificated teaching and administrative personnel to provide services to students and other community members.

In terms of enrollment the District is the 28th largest in the State of Ohio (among 611 districts) and the second largest in Montgomery County. It currently operates 9 elementary schools, 2 middle schools (grades 6-8), and one comprehensive high school (grades 9-12).

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing board and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on the District. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational, adult/continuing, other), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

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

B. Basis of Presentation - Fund Accounting

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

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Building Capital Projects Fund - The building capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

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

Proprietary Fund - The proprietary fund is accounted for on a "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The Dental Insurance Fund accounts for the premiums and claims payments applicable to the employee dental plan.

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

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

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

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

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

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2004, and which are not intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2004 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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

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

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

E. Budgetary Process

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the fund level for all funds of the District except the General Fund which is at the object level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2004.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level except for the general fund which is budgeted at the object level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by management. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis (as reported)	(\$6,471,158)
Increase (Decrease):	
Accrued Revenues at June 30, 2004, received during FY 2005	(1,529,944)
Accrued Revenues at June 30, 2003, received during FY 2004	2,751,784
Accrued Expenditures at June 30, 2004, paid during FY 2005	8,589,197
Accrued Expenditures at June 30, 2003, paid during FY 2004	(7,913,725)
Encumbrances Outstanding	<u>(1,445,919)</u>
Budget Basis	<u><u>(\$6,019,765)</u></u>

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of less than three months.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value. See Note 4, "Cash, Cash Equivalents and Investments."

The District has invested funds in the STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004. Also, the District invested in repurchase agreements which are valued at cost, and U.S. Government securities which are stated at fair value. See Note 4, "Cash, Cash Equivalents and Investments."

Under existing Ohio statutes, the Board of Education has, by resolution, specified the funds to receive allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 totaled \$274,464, and \$1,117,991 was credited to other funds of the District.

H. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased.

I. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500.

1. Property, Plant and Equipment - Governmental Activities

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

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

Contributed capital assets are recorded at fair market value at the date received. Infrastructure capital assets (e.g., driveways, fencing, retaining walls and other assets that are immovable and of value only to the District) are capitalized if the cost or estimated historical cost to purchase or construct equals or exceeds \$2,500. Governmental activities capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Depreciation

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

<u>Description</u>	<u>Estimated Lives (in years)</u>
Buildings and Improvements	80
Furniture, Vehicles and Equipment	5-20

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Debt Service Fund
Capital Leases	General Fund
Compensated Absences	General Fund, Food Services Fund

K. Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as employees earn them if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment. The District includes in its liabilities any employee who has at least 20 years of service or an employee who has five years of service and is at least 60 years of age.

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

L. Net Assets

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

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

M. Pensions

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

N. Interfund Activity

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

O. Restricted Assets

Restricted assets in the permanent fund represent cash and cash equivalents restricted based upon applicable trust agreements. A fund balance reserve has also been established for this amount.

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, endowments, property taxes, supplies inventory and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

Q. Estimates

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

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KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

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

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

Fixed Asset Additions	\$23,509,968
Depreciation Expense	<u>(742,154)</u>
	\$22,767,814

Governmental revenues not reported in the funds:

Increase in Delinquent Tax Revenue	\$2,618,075
Increase in Interest Receivable	128,471
Decrease in Grants Receivable	<u>(184,436)</u>
	\$2,562,110

Net amount of long-term debt issuance and bond and lease principal payments:

Bond Principal Payment	\$5,428,670
Capital Lease Payment	121,873
Bond Issuance	(15,000,000)
New Capital Lease	<u>(653,538)</u>
	(\$10,102,995)

Interest expense not reported in the funds:

Increase in accrued interest on long term debt	(\$97,105)
Amortization of Bond Premium	<u>112,573</u>
	\$15,468

Expenses not reported in the funds:

Increase in compensated absences	(\$755,976)
Increase in Pension payable	(30,977)
Decrease in supplies inventory	<u>(38,451)</u>
	(\$825,404)

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The fund deficits at June 30, 2004 of \$658 in the Public School Preschool Fund, \$16,759 in the Alternative Fund, \$9,473 in the Adult Basic Education Fund, \$41,683 in the EESA Title VI-B Fund, \$273 in the Bilingual Education Fund and of \$60,615 in the Title I Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the budgetary/cash basis of accounting. The General Fund provides operating transfers when cash is required, not when accruals occur.

B. Compliance

The District is required to disclose all instances of violations of finance related legal provisions. During the fiscal year the District was found to be in violation of the following provision:

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund should not exceed the total estimated revenue. At December 31, 2003, the following funds had appropriations in excess of the amount certified as available:

<u>Fund</u>	<u>Estimated Resources as of December 31, 2003</u>	<u>Appropriations as of December 31, 2003</u>	<u>Variances</u>
Special Revenue Funds:			
Uniform School Supplies	126,427	268,000	(141,573)
Special Enterprise	132,431	365,249	(232,818)
Athletic	178,428	755,189	(576,761)
Auxiliary Services	162,997	1,200,000	(1,037,003)
Public School Preschool	4,130	235,000	(230,870)
EESA Title II	8,414	125,000	(116,586)
EESA Title VI-B	17,410	950,000	(932,590)
Even Start Program	9,839	190,000	(180,161)
Title I	(8,526)	325,000	(333,526)
Title VI Innovation	(12,796)	99,000	(111,796)

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of the State of Ohio, county, municipal corporation or other legally constituted authority of the State of Ohio, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*" collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments:

- Category 1 Insured or registered securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

A. Deposits

At year end the carrying amount of the District's deposits was \$43,702,515 and the bank balance was \$45,504,523. The Federal Deposit Insurance Corporation (FDIC) covered \$314,361 of the bank balance and all remaining deposits were classified as Category 3. In accordance with Ohio Revised Code, the remaining balance was covered by pooled collateral.

KETTERING CITY SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The District's investments at June 30, 2004 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
U. S. Government Securities	\$65,753,537	\$0	\$65,753,537
Repurchase Agreements	0	2,584,918	2,584,918
Total Categorized	65,753,537	2,584,918	68,338,455
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	5,831,863
Total Investments	<u>\$65,753,537</u>	<u>\$2,584,918</u>	<u>\$74,170,318</u>

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash & Cash Equivalents/ Deposits *</u>	<u>Investments</u>
Per GASB Statement No. 9	\$52,119,296	\$65,753,537
Repurchase Agreements	(2,584,918)	2,584,918
STAR Ohio	(5,831,863)	5,831,863
Per GASB Statement No. 3	<u>\$43,702,515</u>	<u>\$74,170,318</u>

* - Includes restricted cash

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school 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 school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

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

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

The amount available as an advance at June 30, 2004 was \$1,580,912 in the general fund, \$323,477 in the debt service fund, and \$30,098 in the permanent improvement capital projects fund.

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 5 - PROPERTY TAXES (Continued)

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

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

	2003 Second Half Collections	2004 First Half Collections
Agricultural/Residential and Other Real Estate	\$1,144,673,410	\$1,152,401,750
Public Utility Personal	68,630,430	70,404,720
Tangible Personal Property	134,709,010	142,988,855
Total Assessed Value	\$1,348,012,850	\$1,365,795,325
Tax rate per \$1,000 of assessed valuation	\$60.90	\$60.90

NOTE 6 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts receivable, interest receivable and intergovernmental receivables. 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.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds at June 30, 2004:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$13,500
Other Governmental Funds	24,401	10,901
Total All Funds	\$24,401	\$24,401

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

NOTE 8 – DUE FROM/TO OTHER FUNDS

Due from/to other funds at June 30, 2004 from one individual fund to another are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$14,720

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 9 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2004:

Historical Cost:

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Capital assets not being depreciated:				
Land	\$466,616	\$0	\$0	\$466,616
Construction in Progress	2,951,881	23,155,945	0	26,107,826
Capital assets being depreciated:				
Buildings and Improvements	31,578,194	0	0	31,578,194
Furniture, Vehicles and Equipment	5,164,489	354,023	(107,897)	5,410,615
Total Cost	<u>\$40,161,180</u>	<u>\$23,509,968</u>	<u>(\$107,897)</u>	<u>\$63,563,251</u>
Accumulated Depreciation:				
Class	June 30, 2003	Additions	Deletions	June 30, 2004
Buildings and Improvements	(\$18,017,152)	(\$394,727)	\$0	(\$18,411,879)
Furniture, Vehicles and Equipment	(2,078,194)	(347,427)	92,147	(2,333,474)
Total Depreciation	<u>(\$20,095,346)</u>	<u>(\$742,154) *</u>	<u>\$92,147</u>	<u>(\$20,745,353)</u>
Net Value:	<u>\$20,065,834</u>			<u>\$42,817,898</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$277,177
Special	28,290
Vocational	35,337
Support Services:	
Pupils	5,533
Instructional Staff	42,713
Administration	63,563
Fiscal	9,221
Business	14,754
Operations & Maintenance of Plant	24,086
Pupil Transportation	165,585
Central	38,729
Other Noninstructional Services	33,478
Extracurricular Activities	3,688
Total Depreciation Expense	<u>\$742,154</u>

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2004, 9.09% was allocated to fund the pension benefit and 4.91% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$1,150,849, \$501,696, and \$452,493, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply. The portion of the 2004 employer contribution rate that was used to fund health care for the year 2004 was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$25,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$780,443.

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System of Ohio (SERS of Ohio) (Continued)

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 62,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. Net assets available for payment of benefits at June 30, 2004 was \$300.8 million.

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2004, 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$4,755,333, \$2,905,371, and \$2,841,995, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2004, the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Reserve Fund, which amounted to \$365,795 for the District. The balance of the Health Care Reserve Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, the net health care costs paid by STRS were \$352,301,000. There were 108,294 eligible benefit recipients.

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 System/State Teachers Retirement System. As of June 30, 2004 one of the board of education members has elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - NOTE PAYABLE

Note Payable activity of the District for the year ended June 30, 2004, was as follows:

Notes Payable		Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Bond Anticipation Note	2.00%	\$15,000,000	\$15,000,000	(\$15,000,000)	\$15,000,000

KETTERING CITY SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 12- LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the long-term debt of the District for the year ended June 30, 2004 is as follows:

		Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004	Amount Due Within One Year
School Improvement 1994	3.05-5.30%	\$13,065,000	\$0	(\$285,000)	\$12,780,000	\$305,000
School Improvement 2003	2.00-5.00%	87,400,000	0	(4,925,000)	82,475,000	1,425,000
School Improvement 2004	2.00-5.00%	0	15,000,000	0	15,000,000	580,000
Energy Conservation 1998	4.70-4.90%	820,000	0	(160,000)	660,000	165,000
Energy Conservation 2002	5.310%	1,059,955	0	(58,670)	1,001,285	61,786
Sub-Total General Obligation Bonds		102,344,955	15,000,000	(5,428,670)	111,916,285	2,536,786
Premium General Obligation Bond		2,938,979	0	(112,573)	2,826,406	112,573
Total General Obligation Bonds		105,283,934	15,000,000	(5,541,243)	114,742,691	2,649,359
Capital Leases Payable		249,605	653,538	(121,873)	781,270	214,137
Compensated Absences		5,219,655	5,975,631	(5,219,655)	5,975,631	518,301
Total Governmental Long-Term Debt		\$110,753,194	\$21,629,169	(\$10,882,771)	\$121,499,592	\$3,381,797

A summary of the District's future long-term debt funding requirements including principal and interest payments as of June 30, 2004, follows:

Years	General Obligation Bonds		
	Principal	Interest	Total
2005	\$2,536,786	\$5,167,001	\$7,703,787
2006	2,330,067	5,017,358	7,347,425
2007	2,638,522	4,923,365	7,561,887
2008	2,557,160	5,011,707	7,568,867
2009	2,620,992	4,772,431	7,393,423
2010-2014	16,069,946	22,225,795	38,295,741
2015-2019	20,292,812	18,182,283	38,475,095
2020-2024	23,990,000	12,568,284	36,558,284
2025-2029	25,775,000	6,537,253	32,312,253
2030-2032	13,105,000	720,150	13,825,150
Totals	\$111,916,285	\$85,125,627	\$197,041,912

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 13 - CAPITAL LEASE COMMITMENTS

The District is obligated under two leases accounted for as a capital leases. The cost of the leased assets are accounted for in the Governmental Activities Capital Assets and the related liabilities in the Governmental Activities Other Long-Term Obligations. The original cost of the assets under capital lease was \$1,131,118.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2004

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2005	\$235,922
2006	102,538
2007	102,538
2008	102,538
2009	102,538
2010	102,538
2011	<u>102,538</u>
Minimum Lease Payments	851,150
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>69,880</u>
Present value of minimum lease payments	<u><u>\$781,270</u></u>

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District contracted with Indiana Insurance Company through Brower Insurance Agency for general liability insurance with a \$1,000,000 per occurrence limit and a \$2,000,000 aggregate. Property is protected by Indiana Insurance Company through Brower Insurance Agency and holds a \$5,000 occurrence deductible.

The District's vehicles are insured under a policy by Indiana Insurance Company through Brower Insurance Agency which carries a \$500 deductible and a \$1,000,000 combined single limit on any accident.

The District has earthquake (\$5,000,000 limit) and flood (\$1,000,000 limit) insurance with Indiana Insurance Company through Brower Insurance Agency.

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 14 - RISK MANAGEMENT (Continued)

The District has a \$10,000,000 limit umbrella policy with no retention with Indiana Insurance Company through Bower Insurance Agency.

Settlement of claims have not exceeded insurance coverage during the last three years. Also, there have been no significant reductions in insurance coverage during the fiscal year.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District provides life insurance and accidental death and dismemberment insurance to most employees through Prudential Life Insurance Company. The District has elected to provide employee medical/surgical benefits through Anthem Blue Cross/Blue Shield's Community Choice Plan.

The District has a Section 125 Plan for employee liabilities arising in connection with the Employee Benefits Self-Insurance Program. This program is also accounted for as an Agency Fund. The District records liabilities for the Employee Self-Insurance Fund for incurred but not reported claims, which represent employee out-of pocket expenses processed but not paid.

The District is self-insured for employee dental care benefits. The program is administered by CoreSource, which provides claims review and processing services. The self-insurance program is accounted for as an Internal Service Fund.

Changes in the fund's claims liability amount in 2004 and 2003 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2003	\$156,243	\$666,745	(\$654,862)	\$168,126
2004	168,126	722,718	(711,324)	179,520

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 15 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2004, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve
Set-aside Cash Balance as of June 30, 2003	\$0	\$0
Carryover Balance from Prior Year	(1,366,652)	0
Current Year Set-Aside Requirement	1,098,614	1,098,614
Current Year Offset Credits	0	(634,921)
Qualifying Disbursements	<u>(1,426,411)</u>	<u>(24,656,891)</u>
Set-aside Reserve as of June 30, 2004	<u>(\$1,694,449)</u>	<u>(\$24,193,198)</u>
Qualifying Carryover Amounts to FY 2005	<u>(\$1,694,449)</u>	<u>(\$104,000,000)</u>

Qualifying carryover amount to fiscal year 2005 cannot exceed (\$104,000,000) for capital acquisition set-aside.

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is a defendant in a lawsuit and tax appeal cases. Although the outcome of these matters is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 16 – CONTINGENCIES (Continued)

C. State School 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 decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 17 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of June 30, 2004, the District had the following significant contractual commitments outstanding related to the new construction and renovations taking place at the District's twelve schools:

<u>Vendor</u>	<u>Remaining Contractual Commitment</u>
Kendell Construction Company	\$5,018,626
Thomas & Marker Construction Co.	4,845,285
Danis Building Construction Co.	3,128,720
Stephen Gross & Sons, Inc.	2,690,632
Cinfab Mechanical, LLC.	1,860,970
Peterson Construction	1,768,000
Staffco Construction, Inc.	1,718,145
GM Mechanical, Inc.	1,548,994
Rieck Mechanical Services	1,530,974
Kelchner, Inc.	1,470,738
G/C Contracting Corp.	1,367,956
Dayton Trane Parts and Supply	1,228,827
S&D/Osterfield Mechanical Contract	1,204,300
Pezzo Construction	1,162,424
Chapel Electric Company	1,025,459
Reddy Electric Company	1,023,135
Total	<u><u>\$32,593,185</u></u>

KETTERING CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 18 – SUBSEQUENT EVENTS

On July 6, 2004, the Board of Education authorized the Board President and the Treasurer to enter into construction contracts relating to the Fairmont High School – Phase II renovation and construction project. The aggregate value of these contracts is \$10,028,818.

On August 3, 2004, the Board of Education authorized the Board President and the Treasurer to enter into construction contracts for renovations to Kettering Middle School. The aggregate value of these contracts is \$9,689,813.

On September 21, 2004, the Board of Education authorized the issuance of School Improvement Refunding Bonds in an amount not to exceed \$12,150,000. These bonds are for the purpose of refunding outstanding school improvement bonds, dated February 1, 1994, which were issued for the purpose of improvements, renovations and additions to school facilities, and providing equipment, furnishings and site improvements.

KETTERING CITY SCHOOL DISTRICT



KETTERING CITY SCHOOL DISTRICT

COMBINING AND ***I***NDIVIDUAL ***F***UND
STATEMENTS AND ***S***CHEDULES

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

KETTERING CITY SCHOOL DISTRICT

Nonmajor Governmental Funds

Special Revenue Funds

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

Food Services Fund

This fund accounts for the financial transactions related to the food service operations of the School District.

Special Trust Fund

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 governmental and/or other funds.

Uniform School Supplies Fund

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

Rotary Special Services Fund

A fund provided to account for income and expenses made in connection with goods and services provided by the School District.

Public School Support Fund

To support the various needs of the school such as supplies and equipment for use in the school; for support and recognition of school activities as deemed appropriate by the building principal.

Pathfinder/Preschool Fund

To account for receipts and expenditures in conjunction with preschool activities.

Special Enterprise Fund

To account for the financial transactions related to the child care program called "morning and afternoon supervision program".

Athletic Fund

This fund is a combination of subject matters and experiences usually not provided in a regular class, designed for pupils who wish to pursue satisfying individual/group interest and study in specific aspects of the subject matter provided in a regular classroom.

Auxiliary Services Fund

This fund accounts for funds which provide services and materials to pupils attending non-public schools within the School District.

Career Development Fund

To account for monies received and expended in conjunction with Vocational Education Career Development projects funded by the State of Ohio, Ohio Department of Education, Division of Vocational Education.

(Continued)

KETTERING CITY SCHOOL DISTRICT

Special Revenue Funds

Local Professional Development Fund

To support the school district's professional development and teacher training activities that is guided by Ohio's model competency-based education programming or comparable models to support student achievement, including proficiency test performance.

Excellence in Education Fund

A fund provided to account for pupil competency assessment and instructional development in English Composition. Mathematics and Reading as required by the minimum standards for Ohio schools.

Education Management Information System Fund

Accounts for state monies which support the development of hardware and software or other costs associated with the requirements of the management information system.

Public School Preschool Fund

To account for programs for early childhood education for disadvantaged four and five year olds.

Entry Year Programs Fund

To implement entry-year programs pursuant to division (T) of section 3317.024 of the Ohio Revised Code.

Data Communications Fund

A fund used to account for monies received for the maintenance of the Ohio Educational Computer Network connections.

District Professional Development Fund

To account for the District's professional development.

OhioReads Fund

Grants received at the building level to support the building coordinators for Ohio Reads.

Summer School Subsidy Fund

A fund provided to account for the District's intervention activities.

Vocational Education Enhancement Fund

To account for enhancements that expand student enrollment, enable career plan development and replace and update equipment. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Alternative Fund

To account for the District's alternative education challenge grant.

Other State Funds Fund

To account for State monies to provide the need for support and education of parents of children with disabilities, and to provide the opportunity for parents to participate in regularly scheduled support groups. To provide for the use of the productivity improvement challenge program to expand, enhance and upgrade career programming for students in southern Montgomery County school district.

(Continued)

KETTERING CITY SCHOOL DISTRICT

Special Revenue Funds

Adult Basic Education Fund

This fund accounts for federal monies used to provide programs in reading, writing and math competency for adults that do not have a high school diploma.

Education for Economic Security Act (EESA Title II) Fund

Provided for strengthening instruction in science, mathematics, modern foreign languages, English, the arts and computer learning.

Education for Economic Security Act (EESA Title VI-B) Fund

This federal program assists schools in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provision of full education opportunities to handicapped children at the preschool, elementary and secondary levels.

Carl D. Perkins Fund

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: post-secondary, adult, disadvantaged and handicapped persons, exemplary programs, cooperative education, construction of area vocational schools, 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.

Bilingual Education Fund

Provision of funds 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.

Even Start Program Fund

To improve the educational opportunities of children and adults by integrating early childhood education into a unified, family-centered program to help parents become full partners in their children's education and to assist children in reaching their full potential as learners.

Title I Fund

Accounts for federal monies used to assist the School District in meeting the special needs of educationally deprived children.

Title VI Innovation Fund

To account for federal revenues which support the implementation of computer education programs, gifted and talented programs, in-service training and staff development.

Drug Free School Grant Fund

Accounts for federal revenues which support the implementation of programs for drug abuse education and prevention.

Preschool Grant Fund

A fund provided to account for the District's preschool grant activities.

Other Federal Programs Fund

To account for the activities of systemic grant, classroom reduction grant, America reads, and school to work program.

KETTERING CITY SCHOOL DISTRICT

Capital Projects Funds

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

Permanent Improvement Fund

A fund provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

Replacement Fund

A fund provided to account for monies used in the rebuilding, restoration or improvement of property which has been totally or partially destroyed due to any cause.

SchoolNet Plus Fund

A fund provided to account for additional funding targeted for the acquisition of computer workstations in grades K-4.

Interactive Video Distance Learning Fund

To account for monies spent by the State on behalf of the District. The monies are used for capital assets for the interactive video distance learning project.

Permanent Fund

The Permanent Fund is used to account for the financial resources that are legally restricted in that only the earnings, not the principal, may be used to support the District's programs.

Permanent Fund

A fund used to account for money, securities, or lands which have been set aside as an investment for public school purposes. The income from such a fund may be expended, but the principal must remain intact.

KETTERING CITY SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 2,520,640	\$ 999,018	\$ 567	\$ 3,520,225
Receivables:				
Taxes	0	678,068	0	678,068
Intergovernmental	260,764	0	0	260,764
Inventory Held for Resale	28,342	0	0	28,342
Restricted Assets:				
Cash and Cash Equivalents	0	0	12,801	12,801
Total Assets	<u>\$ 2,809,746</u>	<u>\$ 1,677,086</u>	<u>\$ 13,368</u>	<u>\$ 4,500,200</u>
Liabilities:				
Accounts Payable	\$ 174,700	\$ 87,342	\$ 0	\$ 262,042
Accrued Wages and Benefits	420,481	0	0	420,481
Intergovernmental Payable	79,803	0	0	79,803
Due to Other Funds	14,720	0	0	14,720
Deferred Revenue	178,342	647,970	0	826,312
Total Liabilities	<u>868,046</u>	<u>735,312</u>	<u>0</u>	<u>1,603,358</u>
Fund Balances:				
Reserved for Encumbrances	453,738	81,111	0	534,849
Reserved for Supplies Inventory	28,342	0	0	28,342
Reserved for Property Taxes	0	30,098	0	30,098
Reserved for Endowments	0	0	12,801	12,801
Unreserved, Undesignated in:				
Special Revenue Funds	1,459,620	0	0	1,459,620
Capital Projects Funds	0	830,565	0	830,565
Permanent Fund	0	0	567	567
Total Fund Balances	<u>1,941,700</u>	<u>941,774</u>	<u>13,368</u>	<u>2,896,842</u>
Total Liabilities and Fund Balances	<u>\$ 2,809,746</u>	<u>\$ 1,677,086</u>	<u>\$ 13,368</u>	<u>\$ 4,500,200</u>

KETTERING CITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 0	\$ 615,133	\$ 0	\$ 615,133
Tuition and Fees	67,397	0	0	67,397
Interest	10,304	9,440	123	19,867
Sales	1,569,095	0	0	1,569,095
Intergovernmental	5,094,815	75,676	0	5,170,491
Extracurricular Activities	516,965	0	0	516,965
Classroom Materials and Fees	264,910	0	0	264,910
Miscellaneous	515,303	3,095	0	518,398
Total Revenue	8,038,789	703,344	123	8,742,256
Expenditures:				
Current:				
Regular	530,750	68,776	0	599,526
Special	1,270,340	0	0	1,270,340
Vocational	99,054	5,350	0	104,404
Adult/Continuing	45,990	0	0	45,990
Supporting Services:				
Pupils	721,023	26,365	0	747,388
Instructional Staff	332,176	10,067	0	342,243
Administration	566,974	5,071	0	572,045
Fiscal Services	0	5,920	0	5,920
Business	62	601,105	0	601,167
Operation and Maintenance of Plant	37,616	102,452	0	140,068
Pupil Transportation	2,260	180,217	0	182,477
Central	90,061	1,743	0	91,804
Non-Instructional Services	3,778,398	0	0	3,778,398
Extracurricular Activities	440,075	0	0	440,075
Facility Acquisition and Construction	0	241,448	0	241,448
Total Expenditures	7,914,779	1,248,514	0	9,163,293
Excess (Deficiency) of Revenues Over Expenditures	124,010	(545,170)	123	(421,037)
Other Financing Sources (Uses):				
New Capital Lease	0	653,538	0	653,538
Transfers In	24,401	0	0	24,401
Transfers Out	(10,901)	0	0	(10,901)
Total Other Financing Sources (Uses)	13,500	653,538	0	667,038
Net Change in Fund Balance	137,510	108,368	123	246,001
Fund Balances at Beginning of Year	1,809,892	833,406	13,245	2,656,543
Decrease in Inventory Reserve	(5,702)	0	0	(5,702)
Fund Balances End of Year	\$ 1,941,700	\$ 941,774	\$ 13,368	\$ 2,896,842

KETTERING CITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Food Services	Special Trust	Uniform School Supplies	Rotary Special Services	Public School Support
Assets:					
Cash and Cash Equivalents	\$ 627,580	\$ 70,930	\$ 200,336	\$ 16,928	\$ 231,053
Receivables:					
Intergovernmental	69,154	0	0	0	0
Inventory Held for Resale	28,342	0	0	0	0
Total Assets	<u>\$ 725,076</u>	<u>\$ 70,930</u>	<u>\$ 200,336</u>	<u>\$ 16,928</u>	<u>\$ 231,053</u>
Liabilities:					
Accounts Payable	\$ 13,129	\$ 2,230	\$ 2,515	\$ 0	\$ 20,667
Accrued Wages and Benefits	114,527	0	0	0	0
Intergovernmental Payable	16,462	0	0	0	0
Due to Other Funds	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
Total Liabilities	<u>144,118</u>	<u>2,230</u>	<u>2,515</u>	<u>0</u>	<u>20,667</u>
Fund Balances:					
Reserved for Encumbrances	50,740	834	85,813	3,916	13,146
Reserved for Supplies Inventory	28,342	0	0	0	0
Unreserved, Undesignated in:					
Special Revenue Funds (Deficit)	501,876	67,866	112,008	13,012	197,240
Total Fund Balances (Deficit)	<u>580,958</u>	<u>68,700</u>	<u>197,821</u>	<u>16,928</u>	<u>210,386</u>
Total Liabilities and Funds Balances	<u>\$ 725,076</u>	<u>\$ 70,930</u>	<u>\$ 200,336</u>	<u>\$ 16,928</u>	<u>\$ 231,053</u>

KETTERING CITY SCHOOL DISTRICT

Pathfinder/ Preschool	Special Enterprise	Athletic	Auxiliary Services	Career Development	Local Professional Development
\$ 14,215	\$ 197,540	\$ 119,725	\$ 504,964	\$ 37,546	\$ 2
0	0	0	0	0	0
0	0	0	0	0	0
<u>\$ 14,215</u>	<u>\$ 197,540</u>	<u>\$ 119,725</u>	<u>\$ 504,964</u>	<u>\$ 37,546</u>	<u>\$ 2</u>
\$ 534	\$ 623	\$ 23,539	\$ 43,866	\$ 190	\$ 0
5,050	38,057	0	110,206	0	0
926	4,763	0	14,579	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>6,510</u>	<u>43,443</u>	<u>23,539</u>	<u>168,651</u>	<u>190</u>	<u>0</u>
474	1,809	8,247	153,245	486	0
0	0	0	0	0	0
<u>7,231</u>	<u>152,288</u>	<u>87,939</u>	<u>183,068</u>	<u>36,870</u>	<u>2</u>
<u>7,705</u>	<u>154,097</u>	<u>96,186</u>	<u>336,313</u>	<u>37,356</u>	<u>2</u>
<u>\$ 14,215</u>	<u>\$ 197,540</u>	<u>\$ 119,725</u>	<u>\$ 504,964</u>	<u>\$ 37,546</u>	<u>\$ 2</u>

(Continued)

KETTERING CITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Excellence in Education	Education Management Information System	Public School Preschool	Entry Year Programs	Data Communication s
Assets:					
Cash and Cash Equivalents	\$ 281	\$ 6,871	\$ 8,203	\$ 4,020	\$ 49,283
Receivables:					
Intergovernmental	0	0	0	0	0
Inventory Held for Resale	0	0	0	0	0
Total Assets	<u>\$ 281</u>	<u>\$ 6,871</u>	<u>\$ 8,203</u>	<u>\$ 4,020</u>	<u>\$ 49,283</u>
Liabilities:					
Accounts Payable	\$ 0	\$ 0	\$ 1,263	\$ 0	\$ 29,901
Accrued Wages and Benefits	0	0	6,482	0	0
Intergovernmental Payable	0	0	1,116	0	0
Due to Other Funds	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>8,861</u>	<u>0</u>	<u>29,901</u>
Fund Balances:					
Reserved for Encumbrances	0	0	843	0	0
Reserved for Supplies Inventory	0	0	0	0	0
Unreserved, Undesignated in:					
Special Revenue Funds (Deficit)	281	6,871	(1,501)	4,020	19,382
Total Fund Balances (Deficit)	<u>281</u>	<u>6,871</u>	<u>(658)</u>	<u>4,020</u>	<u>19,382</u>
Total Liabilities and Funds Balances	<u>\$ 281</u>	<u>\$ 6,871</u>	<u>\$ 8,203</u>	<u>\$ 4,020</u>	<u>\$ 49,283</u>

KETTERING CITY SCHOOL DISTRICT

District Professional Development	OhioReads	Summer School Subsidy	Alternative	Other State Funds
\$ 5,467	\$ 33,027	\$ 30,032	\$ 0	\$ 31,622
0	0	65,489	10,321	0
0	0	0	0	0
<u>\$ 5,467</u>	<u>\$ 33,027</u>	<u>\$ 95,521</u>	<u>\$ 10,321</u>	<u>\$ 31,622</u>
\$ 0	\$ 0	\$ 40	\$ 2,312	\$ 4,835
0	1,209	16,165	0	3,369
0	151	2,023	0	659
0	0	0	14,447	0
0	0	52,221	10,321	0
<u>0</u>	<u>1,360</u>	<u>70,449</u>	<u>27,080</u>	<u>8,863</u>
0	15,164	645	21	9,808
0	0	0	0	0
<u>5,467</u>	<u>16,503</u>	<u>24,427</u>	<u>(16,780)</u>	<u>12,951</u>
<u>5,467</u>	<u>31,667</u>	<u>25,072</u>	<u>(16,759)</u>	<u>22,759</u>
<u>\$ 5,467</u>	<u>\$ 33,027</u>	<u>\$ 95,521</u>	<u>\$ 10,321</u>	<u>\$ 31,622</u>

(Continued)

KETTERING CITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Adult Basic Education	EESA Title II	EESATitle VI-B	Carl D. Perkins	Bilingual Education
Assets:					
Cash and Cash Equivalents	\$ 6,278	\$ 119,933	\$ 20,375	\$ 94,078	\$ 0
Receivables:					
Intergovernmental	18,237	58,846	0	0	0
Inventory Held for Resale	0	0	0	0	0
Total Assets	<u>\$ 24,515</u>	<u>\$ 178,779</u>	<u>\$ 20,375</u>	<u>\$ 94,078</u>	<u>\$ 0</u>
Liabilities:					
Accounts Payable	\$ 200	\$ 2,606	\$ 0	\$ 10,248	\$ 0
Accrued Wages and Benefits	13,171	0	37,199	0	0
Intergovernmental Payable	2,380	0	24,859	0	0
Due to Other Funds	0	0	0	0	273
Deferred Revenue	18,237	58,846	0	0	0
Total Liabilities	<u>33,988</u>	<u>61,452</u>	<u>62,058</u>	<u>10,248</u>	<u>273</u>
Fund Balances:					
Reserved for Encumbrances	6,805	44,020	22,305	0	3,341
Reserved for Supplies Inventory	0	0	0	0	0
Unreserved, Undesignated in:					
Special Revenue Funds (Deficit)	(16,278)	73,307	(63,988)	83,830	(3,614)
Total Fund Balances (Deficit)	<u>(9,473)</u>	<u>117,327</u>	<u>(41,683)</u>	<u>83,830</u>	<u>(273)</u>
Total Liabilities and Funds Balances	<u>\$ 24,515</u>	<u>\$ 178,779</u>	<u>\$ 20,375</u>	<u>\$ 94,078</u>	<u>\$ 0</u>

KETTERING CITY SCHOOL DISTRICT

Even Start Program	Title I	Title VI Innovation	Drug Free School Grant	Preschool Grant	Other Federal Programs	Total Nonmajor Special Revenue Funds
\$ 24,512	\$ 11,860	\$ 40,715	\$ 4,158	\$ 4,293	\$ 4,813	\$ 2,520,640
0	21,176	4,923	12,618	0	0	260,764
0	0	0	0	0	0	28,342
<u>\$ 24,512</u>	<u>\$ 33,036</u>	<u>\$ 45,638</u>	<u>\$ 16,776</u>	<u>\$ 4,293</u>	<u>\$ 4,813</u>	<u>\$ 2,809,746</u>
\$ 3,080	\$ 1,942	\$ 8,762	\$ 0	\$ 0	\$ 2,218	\$ 174,700
12,873	62,173	0	0	0	0	420,481
3,525	8,360	0	0	0	0	79,803
0	0	0	0	0	0	14,720
0	21,176	4,923	12,618	0	0	178,342
<u>19,478</u>	<u>93,651</u>	<u>13,685</u>	<u>12,618</u>	<u>0</u>	<u>2,218</u>	<u>868,046</u>
10,824	4,838	4,507	7,241	3,722	944	453,738
0	0	0	0	0	0	28,342
(5,790)	(65,453)	27,446	(3,083)	571	1,651	1,459,620
5,034	(60,615)	31,953	4,158	4,293	2,595	1,941,700
<u>\$ 24,512</u>	<u>\$ 33,036</u>	<u>\$ 45,638</u>	<u>\$ 16,776</u>	<u>\$ 4,293</u>	<u>\$ 4,813</u>	<u>\$ 2,809,746</u>

KETTERING CITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Fiscal Year Ended June 30, 2004

	Food Services	Special Trust	Uniform School Supplies	Rotary Special Services	Public School Support
Revenues:					
Tuition and Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	3,117	434	0	0	3,035
Sales	1,569,095	0	0	0	0
Intergovernmental	839,674	0	0	0	0
Extracurricular Activities	0	11,875	0	0	206,416
Classroom Materials and Fees	0	0	203,670	11,287	49,953
Miscellaneous	1,971	1,806	0	20,133	70,842
Total Revenue	<u>2,413,857</u>	<u>14,115</u>	<u>203,670</u>	<u>31,420</u>	<u>330,246</u>
Expenditures:					
Current:					
Instruction:					
Regular	0	2,531	132,921	0	39,547
Special	0	0	0	0	0
Vocational	0	0	5,987	29,363	0
Adult/Continuing	0	0	0	0	0
Supporting Services:					
Pupils	0	0	0	0	0
Instructional Staff	0	13,717	0	0	5,174
Administration	0	1,006	0	0	278,339
Business	62	0	0	0	0
Operation and Maintenance of Plant	5,371	0	0	0	0
Pupil Transportation	0	0	0	0	0
Central	0	0	0	0	0
Non-Instructional Services	2,353,922	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Total Expenditures	<u>2,359,355</u>	<u>17,254</u>	<u>138,908</u>	<u>29,363</u>	<u>323,060</u>
Excess (Deficiency) of Revenues Over Expenditures	54,502	(3,139)	64,762	2,057	7,186
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	54,502	(3,139)	64,762	2,057	7,186
Fund Balances at Beginning of Year	532,158	71,839	133,059	14,871	203,200
Decrease in Inventory Reserve	(5,702)	0	0	0	0
Fund Balances End of Year	<u>\$ 580,958</u>	<u>\$ 68,700</u>	<u>\$ 197,821</u>	<u>\$ 16,928</u>	<u>\$ 210,386</u>

KETTERING CITY SCHOOL DISTRICT

Pathfinder/ Preschool	Special Enterprise	Athletic	Auxiliary Services	Career Development	Local Professional Development
\$ 67,397	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	3,718	0	0
0	0	0	0	0	0
12,972	0	0	1,389,982	9,725	0
0	0	298,674	0	0	0
0	0	0	0	0	0
2,067	382,967	35,517	0	0	0
<u>82,436</u>	<u>382,967</u>	<u>334,191</u>	<u>1,393,700</u>	<u>9,725</u>	<u>0</u>
27,976	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
31,849	325,247	0	0	26,758	0
30,856	0	0	0	0	0
42,822	0	0	0	0	0
0	0	0	0	0	0
0	0	11,852	0	0	0
0	0	0	0	0	0
6,028	0	0	0	0	0
0	0	0	1,325,472	0	0
0	0	440,075	0	0	0
<u>139,531</u>	<u>325,247</u>	<u>451,927</u>	<u>1,325,472</u>	<u>26,758</u>	<u>0</u>
(57,095)	57,720	(117,736)	68,228	(17,033)	0
0	0	24,401	0	0	0
0	0	(10,901)	0	0	0
0	0	13,500	0	0	0
(57,095)	57,720	(104,236)	68,228	(17,033)	0
64,800	96,377	200,422	268,085	54,389	2
0	0	0	0	0	0
<u>\$ 7,705</u>	<u>\$ 154,097</u>	<u>\$ 96,186</u>	<u>\$ 336,313</u>	<u>\$ 37,356</u>	<u>\$ 2</u>

(Continued)

KETTERING CITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Fiscal Year Ended June 30, 2004

	Excellence in Education	Education Management Information System	Public School Preschool	Entry Year Programs	Data Communications
Revenues:					
Tuition and Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	0	0	0	0	0
Sales	0	0	0	0	0
Intergovernmental	0	28,012	240,642	0	36,000
Extracurricular Activities	0	0	0	0	0
Classroom Materials and Fees	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Total Revenue	0	28,012	240,642	0	36,000
Expenditures:					
Current:					
Instruction:					
Regular	0	0	84,277	0	0
Special	0	0	0	9,828	0
Vocational	0	0	0	0	0
Adult/Continuing	0	0	0	0	0
Supporting Services:					
Pupils	0	0	41,963	0	0
Instructional Staff	0	0	68,604	0	0
Administration	0	0	39,332	0	0
Business	0	0	0	0	0
Operation and Maintenance of Plant	0	0	5,646	0	0
Pupil Transportation	0	0	0	0	0
Central	0	50,036	2,031	0	29,901
Non-Instructional Services	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Total Expenditures	0	50,036	241,853	9,828	29,901
Excess (Deficiency) of Revenues Over Expenditures	0	(22,024)	(1,211)	(9,828)	6,099
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balance	0	(22,024)	(1,211)	(9,828)	6,099
Fund Balances at Beginning of Year	281	28,895	553	13,848	13,283
Decrease in Inventory Reserve	0	0	0	0	0
Fund Balances End of Year	\$ 281	\$ 6,871	\$ (658)	\$ 4,020	\$ 19,382

KETTERING CITY SCHOOL DISTRICT

District Professional Development	OhioReads	Summer School Subsidy	Vocational Education Enhancement	Alternative	Other State Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
0	0	0	0	0	0
4,140	49,500	83,773	4,652	20,469	136,891
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>4,140</u>	<u>49,500</u>	<u>83,773</u>	<u>4,652</u>	<u>20,469</u>	<u>136,891</u>
0	29,653	0	0	32,729	41,816
0	0	0	0	0	0
0	0	0	4,652	0	0
0	0	0	0	0	0
0	20,249	73,756	0	0	49,867
4,590	420	7,453	0	4,000	10,759
0	106	0	0	0	2,329
0	0	0	0	0	0
0	0	0	0	0	14,747
0	0	0	0	0	0
0	0	0	0	0	2,065
0	0	0	0	4,500	0
0	0	0	0	0	0
<u>4,590</u>	<u>50,428</u>	<u>81,209</u>	<u>4,652</u>	<u>41,229</u>	<u>121,583</u>
(450)	(928)	2,564	0	(20,760)	15,308
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(450)	(928)	2,564	0	(20,760)	15,308
5,917	32,595	22,508	0	4,001	7,451
0	0	0	0	0	0
<u>\$ 5,467</u>	<u>\$ 31,667</u>	<u>\$ 25,072</u>	<u>\$ 0</u>	<u>\$ (16,759)</u>	<u>\$ 22,759</u>

(Continued)

KETTERING CITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Fiscal Year Ended June 30, 2004

	Adult Basic Education	EESA Title II	EESATitle VI-B	Carl D. Perkins	Bilingual Education
Revenues:					
Tuition and Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	0	0	0	0	0
Sales	0	0	0	0	0
Intergovernmental	86,293	190,299	1,040,971	92,055	31,865
Extracurricular Activities	0	0	0	0	0
Classroom Materials and Fees	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Total Revenue	86,293	190,299	1,040,971	92,055	31,865
Expenditures:					
Current:					
Instruction:					
Regular	0	10,620	0	12,352	32,622
Special	0	0	770,192	0	0
Vocational	0	0	0	59,052	0
Adult/Continuing	45,990	0	0	0	0
Supporting Services:					
Pupils	8,482	0	30,608	0	0
Instructional Staff	35,297	80,643	46,764	0	0
Administration	4,409	0	160,950	0	0
Business	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0
Pupil Transportation	0	0	0	0	0
Central	0	0	0	0	0
Non-Instructional Services	0	0	73,763	0	0
Extracurricular Activities	0	0	0	0	0
Total Expenditures	94,178	91,263	1,082,277	71,404	32,622
Excess (Deficiency) of Revenues					
Over Expenditures	(7,885)	99,036	(41,306)	20,651	(757)
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balance	(7,885)	99,036	(41,306)	20,651	(757)
Fund Balances at Beginning of Year	(1,588)	18,291	(377)	63,179	484
Decrease in Inventory Reserve	0	0	0	0	0
Fund Balances End of Year	\$ (9,473)	\$ 117,327	\$ (41,683)	\$ 83,830	\$ (273)

KETTERING CITY SCHOOL DISTRICT

Even Start Program	Title I	Title VI Innovation	Drug Free School Grant	Preschool Grant	Other Federal Programs	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,397
0	0	0	0	0	0	10,304
0	0	0	0	0	0	1,569,095
198,112	437,064	118,807	27,330	7,429	8,158	5,094,815
0	0	0	0	0	0	516,965
0	0	0	0	0	0	264,910
0	0	0	0	0	0	515,303
<u>198,112</u>	<u>437,064</u>	<u>118,807</u>	<u>27,330</u>	<u>7,429</u>	<u>8,158</u>	<u>8,038,789</u>
0	0	76,486	3,550	0	3,670	530,750
73,321	412,773	0	0	4,226	0	1,270,340
0	0	0	0	0	0	99,054
0	0	0	0	0	0	45,990
80,217	14,915	0	15,945	0	1,167	721,023
4,567	17,173	0	0	0	2,159	332,176
37,681	0	0	0	0	0	566,974
0	0	0	0	0	0	62
0	0	0	0	0	0	37,616
2,260	0	0	0	0	0	2,260
0	0	0	0	0	0	90,061
0	1,507	15,560	3,342	0	332	3,778,398
0	0	0	0	0	0	440,075
<u>198,046</u>	<u>446,368</u>	<u>92,046</u>	<u>22,837</u>	<u>4,226</u>	<u>7,328</u>	<u>7,914,779</u>
66	(9,304)	26,761	4,493	3,203	830	124,010
0	0	0	0	0	0	24,401
0	0	0	0	0	0	(10,901)
0	0	0	0	0	0	13,500
66	(9,304)	26,761	4,493	3,203	830	137,510
4,968	(51,311)	5,192	(335)	1,090	1,765	1,809,892
0	0	0	0	0	0	(5,702)
<u>\$ 5,034</u>	<u>\$ (60,615)</u>	<u>\$ 31,953</u>	<u>\$ 4,158</u>	<u>\$ 4,293</u>	<u>\$ 2,595</u>	<u>\$ 1,941,700</u>

KETTERING CITY SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2004**

	<u>Permanent Improvement</u>	<u>Replacement</u>	<u>SchoolNet Plus</u>	<u>Interactive Video Distance Learning</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:					
Cash and Cash Equivalents	\$ 903,082	\$ 92,889	\$ 347	\$ 2,700	\$ 999,018
Receivables:					
Taxes	678,068	0	0	0	678,068
Total Assets	<u>\$ 1,581,150</u>	<u>\$ 92,889</u>	<u>\$ 347</u>	<u>\$ 2,700</u>	<u>\$ 1,677,086</u>
Liabilities:					
Accounts Payable	\$ 87,342	\$ 0	\$ 0	\$ 0	\$ 87,342
Deferred Revenue	647,970	0	0	0	647,970
Total Liabilities	<u>735,312</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>735,312</u>
Fund Balances:					
Reserved for Encumbrances	79,911	0	0	1,200	81,111
Reserved for Property Taxes	30,098	0	0	0	30,098
Unreserved, Undesignated in:					
Capital Projects Funds	735,829	92,889	347	1,500	830,565
Total Fund Balances	<u>845,838</u>	<u>92,889</u>	<u>347</u>	<u>2,700</u>	<u>941,774</u>
Total Liabilities and Fund Balances	<u>\$ 1,581,150</u>	<u>\$ 92,889</u>	<u>\$ 347</u>	<u>\$ 2,700</u>	<u>\$ 1,677,086</u>

KETTERING CITY SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004**

	Permanent Improvement	Replacement	SchoolNet Plus	Interactive Video Distance Learning	Total Nonmajor Capital Projects Funds
Revenues:					
Taxes	\$ 615,133	\$ 0	\$ 0	\$ 0	\$ 615,133
Interest	8,500	940	0	0	9,440
Intergovernmental	75,676	0	0	0	75,676
Miscellaneous	3,095	0	0	0	3,095
Total Revenue	702,404	940	0	0	703,344
Expenditures:					
Current:					
Instruction:					
Regular	65,758	3,018	0	0	68,776
Vocational	5,350	0	0	0	5,350
Supporting Services:					
Pupils	26,365	0	0	0	26,365
Instructional Staff	10,067	0	0	0	10,067
Administration	5,071	0	0	0	5,071
Fiscal Services	5,920	0	0	0	5,920
Business	601,105	0	0	0	601,105
Operation and Maintenance of Plant	95,882	6,570	0	0	102,452
Pupil Transportation	180,217	0	0	0	180,217
Central	1,743	0	0	0	1,743
Facility Acquisition and Construction	241,448	0	0	0	241,448
Total Expenditures	1,238,926	9,588	0	0	1,248,514
Excess (Deficiency) of Revenues					
Over Expenditures	(536,522)	(8,648)	0	0	(545,170)
Other Financing Sources (Uses):					
New Capital Lease	653,538	0	0	0	653,538
Total Other Financing Sources (Uses)	653,538	0	0	0	653,538
Net Change in Fund Balance	117,016	(8,648)	0	0	108,368
Fund Balances at Beginning of Year	728,822	101,537	347	2,700	833,406
Fund Balances End of Year	\$ 845,838	\$ 92,889	\$ 347	\$ 2,700	\$ 941,774

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Fiscal Year Ended June 30, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 44,557,915	\$ 39,532,328	\$ 40,574,096	\$ 1,041,768
Tuition and Fees	65,000	65,000	66,478	1,478
Transportation	0	0	253,474	253,474
Interest	375,000	375,000	378,904	3,904
Intergovernmental	17,520,947	20,541,157	16,405,372	(4,135,785)
Extracurricular Activities	35,500	35,501	54,320	18,819
Classroom Materials and Fees	0	0	7,686	7,686
Miscellaneous	420,000	420,000	435,788	15,788
Total Revenues	<u>62,974,362</u>	<u>60,968,986</u>	<u>58,176,118</u>	<u>(2,792,868)</u>
Expenditures:				
Current:				
Salaries and Wages	41,344,163	41,344,163	41,263,481	80,682
Fringe Benefits	12,373,810	12,406,810	12,391,062	15,748
Purchased Services	5,605,136	6,378,973	6,702,590	(323,617)
Supplies and Materials	1,977,434	2,433,795	2,280,192	153,603
Other Expenditures	741,490	691,920	685,289	6,631
Capital Outlay - New	388,100	555,255	549,583	5,672
Capital Outlay - Replacement	69,669	168,889	163,351	5,538
Debt Service:				
Principal Retirement	325,450	323,432	281,873	41,559
Interest and Fiscal Charges	103,589	103,589	50,421	53,168
Total Expenditures	<u>62,928,841</u>	<u>64,406,826</u>	<u>64,367,842</u>	<u>38,984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,521	(3,437,840)	(6,191,724)	(2,753,884)
Other Financing Sources (Uses):				
Transfers Out	(13,500)	(13,500)	(13,500)	0
Advances Out	(100,000)	0	0	0
Refund of Prior Year's Expenditures	180,000	180,000	186,379	6,379
Refund of Prior Year's Receipts	0	(920)	(920)	0
Total Other Financing Sources (Uses)	<u>66,500</u>	<u>165,580</u>	<u>171,959</u>	<u>6,379</u>
Net Change in Fund Balance	112,021	(3,272,260)	(6,019,765)	(2,747,505)
Fund Balance at Beginning of Year	22,206,339	22,206,339	22,206,339	0
Prior Year Encumbrances	1,378,811	1,378,811	1,378,811	0
Fund Balance at End of Year	<u>\$ 23,697,171</u>	<u>\$ 20,312,890</u>	<u>\$ 17,565,385</u>	<u>\$ (2,747,505)</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Debt Service Fund
For the Fiscal Year Ended June 30, 2004***

BOND RETIREMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 22,527,395	\$ 22,427,753	\$ (99,642)
Total Expenditures and Other Financing Uses	26,064,634	25,155,989	908,645
Net Change in Fund Balance	(3,537,239)	(2,728,236)	809,003
Fund Balance at Beginning of Year	4,696,628	4,696,628	0
Fund Balance at End of Year	<u>\$ 1,159,389</u>	<u>\$ 1,968,392</u>	<u>\$ 809,003</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund
For the Fiscal Year Ended June 30, 2003***

	BUILDING FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Total Revenues and Other Financing Sources	<u>\$ 15,256,808</u>	<u>\$ 31,291,775</u>	<u>\$ 16,034,967</u>
Total Expenditures and Other Financing Uses	<u>114,448,118</u>	<u>81,891,734</u>	<u>32,556,384</u>
Net Change in Fund Balance	<u>(99,191,310)</u>	<u>(50,599,959)</u>	<u>48,591,351</u>
Fund Balance at Beginning of Year	85,267,512	85,267,512	0
Prior Year Encumbrances	14,482,958	14,482,958	0
Fund Balance at End of Year	<u><u>\$ 559,160</u></u>	<u><u>\$ 49,150,511</u></u>	<u><u>\$ 48,591,351</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 2,094,080</u>	<u>\$ 2,147,648</u>	<u>\$ 53,568</u>
Total Expenditures and Other Financing Uses	<u>2,329,327</u>	<u>2,219,497</u>	<u>109,830</u>
Net Change in Fund Balance	(235,247)	(71,849)	163,398
Fund Balance at Beginning of Year	576,035	576,035	0
Prior Year Encumbrances	<u>59,525</u>	<u>59,525</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 400,313</u></u>	<u><u>\$ 563,711</u></u>	<u><u>\$ 163,398</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	SPECIAL TRUST FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Total Revenues and Other Financing Sources	<u>\$ 2,600</u>	<u>\$ 14,243</u>	<u>\$ 11,643</u>
Total Expenditures and Other Financing Uses	<u>32,493</u>	<u>19,105</u>	<u>13,388</u>
Net Change in Fund Balance	(29,893)	(4,862)	25,031
Fund Balance at Beginning of Year	70,570	70,570	0
Prior Year Encumbrances	<u>2,158</u>	<u>2,158</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 42,835</u></u>	<u><u>\$ 67,866</u></u>	<u><u>\$ 25,031</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

UNIFORM SCHOOL SUPPLIES FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 198,930	\$ 203,695	\$ 4,765
Total Expenditures and Other Financing Uses	350,841	240,955	109,886
Net Change in Fund Balance	(151,911)	(37,260)	114,651
Fund Balance at Beginning of Year	126,427	126,427	0
Prior Year Encumbrances	22,841	22,841	0
Fund Balance at End of Year	<u>\$ (2,643)</u>	<u>\$ 112,008</u>	<u>\$ 114,651</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

ROTARY SPECIAL SERVICES FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 30,000	\$ 31,420	\$ 1,420
Total Expenditures and Other Financing Uses	39,872	33,279	6,593
Net Change in Fund Balance	(9,872)	(1,859)	8,013
Fund Balance at Beginning of Year	11,596	11,596	0
Prior Year Encumbrances	3,275	3,275	0
Fund Balance at End of Year	<u>\$ 4,999</u>	<u>\$ 13,012</u>	<u>\$ 8,013</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 330,000</u>	<u>\$ 330,665</u>	<u>\$ 665</u>
Total Expenditures and Other Financing Uses	<u>521,826</u>	<u>345,248</u>	<u>176,578</u>
Net Change in Fund Balance	(191,826)	(14,583)	177,243
Fund Balance at Beginning of Year	198,964	198,964	0
Prior Year Encumbrances	<u>12,859</u>	<u>12,859</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 19,997</u></u>	<u><u>\$ 197,240</u></u>	<u><u>\$ 177,243</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 0</u>	<u>\$ 82,840</u>	<u>\$ 82,840</u>
Total Expenditures and Other Financing Uses	<u>143,378</u>	<u>136,906</u>	<u>6,472</u>
Net Change in Fund Balance	(143,378)	(54,066)	89,312
Fund Balance at Beginning of Year	52,896	52,896	0
Prior Year Encumbrances	<u>14,377</u>	<u>14,377</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (76,105)</u></u>	<u><u>\$ 13,207</u></u>	<u><u>\$ 89,312</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 324,390</u>	<u>\$ 384,282</u>	<u>\$ 59,892</u>
Total Expenditures and Other Financing Uses	<u>368,103</u>	<u>324,459</u>	<u>43,644</u>
Net Change in Fund Balance	(43,713)	59,823	103,536
Fund Balance at Beginning of Year	132,431	132,431	0
Prior Year Encumbrances	<u>2,854</u>	<u>2,854</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 91,572</u></u>	<u><u>\$ 195,108</u></u>	<u><u>\$ 103,536</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	ATHLETIC FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Total Revenues and Other Financing Sources	<u>\$ 368,000</u>	<u>\$ 368,826</u>	<u>\$ 826</u>
Total Expenditures and Other Financing Uses	<u>567,287</u>	<u>487,958</u>	<u>79,329</u>
Net Change in Fund Balance	(199,287)	(119,132)	80,155
Fund Balance at Beginning of Year	178,429	178,429	0
Prior Year Encumbrances	<u>28,642</u>	<u>28,642</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 7,784</u></u>	<u><u>\$ 87,939</u></u>	<u><u>\$ 80,155</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 1,403,193</u>	<u>\$ 1,444,860</u>	<u>\$ 41,667</u>
Total Expenditures and Other Financing Uses	<u>1,927,313</u>	<u>1,650,157</u>	<u>277,156</u>
Net Change in Fund Balance	(524,120)	(205,297)	318,823
Fund Balance at Beginning of Year	162,996	162,996	0
Prior Year Encumbrances	350,154	350,154	0
Fund Balance at End of Year	<u><u>\$ (10,970)</u></u>	<u><u>\$ 307,853</u></u>	<u><u>\$ 318,823</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 10,000</u>	<u>\$ 9,725</u>	<u>\$ (275)</u>
Total Expenditures and Other Financing Uses	<u>36,237</u>	<u>27,651</u>	<u>8,586</u>
Net Change in Fund Balance	(26,237)	(17,926)	8,311
Fund Balance at Beginning of Year	54,311	54,311	0
Prior Year Encumbrances	<u>485</u>	<u>485</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 28,559</u></u>	<u><u>\$ 36,870</u></u>	<u><u>\$ 8,311</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

LOCAL PROFESSIONAL DEVELOPMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	0
Fund Balance at Beginning of Year	<u>2</u>	<u>2</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 2</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 0</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

EXCELLENCE IN EDUCATION FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>13</u>	<u>10</u>	<u>3</u>
Net Change in Fund Balance	(13)	(10)	3
Fund Balance at Beginning of Year	278	278	0
Prior Year Encumbrances	<u>13</u>	<u>13</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 278</u></u>	<u><u>\$ 281</u></u>	<u><u>\$ 3</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

EDUCATION MANAGEMENT INFORMATION SYSTEM FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 28,000	\$ 28,012	\$ 12
Total Expenditures and Other Financing Uses	50,643	50,036	607
Net Change in Fund Balance	(22,643)	(22,024)	619
Fund Balance at Beginning of Year	28,895	28,895	0
Fund Balance at End of Year	<u>\$ 6,252</u>	<u>\$ 6,871</u>	<u>\$ 619</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 240,642</u>	<u>\$ 240,642</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>247,873</u>	<u>245,024</u>	<u>2,849</u>
Net Change in Fund Balance	(7,231)	(4,382)	2,849
Fund Balance at Beginning of Year	4,130	4,130	0
Prior Year Encumbrances	<u>6,349</u>	<u>6,349</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 3,248</u></u>	<u><u>\$ 6,097</u></u>	<u><u>\$ 2,849</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

ENTRY YEAR PROGRAMS FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>13,848</u>	<u>9,828</u>	<u>4,020</u>
Net Change in Fund Balance	(13,848)	(9,828)	4,020
Fund Balance at Beginning of Year	<u>13,848</u>	<u>13,848</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 4,020</u></u>	<u><u>\$ 4,020</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

DATA COMMUNICATIONS FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 36,000</u>	<u>\$ 36,000</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>49,000</u>	<u>29,901</u>	<u>19,099</u>
Net Change in Fund Balance	(13,000)	6,099	19,099
Fund Balance at Beginning of Year	<u>13,283</u>	<u>13,283</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 283</u></u>	<u><u>\$ 19,382</u></u>	<u><u>\$ 19,099</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 4,140</u>	<u>\$ 4,140</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>5,992</u>	<u>4,590</u>	<u>1,402</u>
Net Change in Fund Balance	(1,852)	(450)	1,402
Fund Balance at Beginning of Year	<u>5,917</u>	<u>5,917</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 4,065</u></u>	<u><u>\$ 5,467</u></u>	<u><u>\$ 1,402</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	OHIOREADS FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Total Revenues and Other Financing Sources	<u>\$ 49,500</u>	<u>\$ 49,500</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>79,243</u>	<u>70,176</u>	<u>9,067</u>
Net Change in Fund Balance	(29,743)	(20,676)	9,067
Fund Balance at Beginning of Year	27,296	27,296	0
Prior Year Encumbrances	<u>11,243</u>	<u>11,243</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 8,796</u></u>	<u><u>\$ 17,863</u></u>	<u><u>\$ 9,067</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 56,905</u>	<u>\$ 70,505</u>	<u>\$ 13,600</u>
Total Expenditures and Other Financing Uses	<u>79,000</u>	<u>63,666</u>	<u>15,334</u>
Net Change in Fund Balance	(22,095)	6,839	28,934
Fund Balance at Beginning of Year	<u>22,508</u>	<u>22,508</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 413</u></u>	<u><u>\$ 29,347</u></u>	<u><u>\$ 28,934</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

VOCATIONAL EDUCATION ENHANCEMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 4,652	\$ 4,652	\$ 0
Total Expenditures and Other Financing Uses	4,652	4,652	0
Net Change in Fund Balance	0	0	0
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	ALTERNATIVE FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Total Revenues and Other Financing Sources	<u>\$ 20,469</u>	<u>\$ 20,469</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>43,408</u>	<u>42,867</u>	<u>541</u>
Net Change in Fund Balance	(22,939)	(22,398)	541
Fund Balance at Beginning of Year	3,968	3,968	0
Prior Year Encumbrances	<u>1,650</u>	<u>1,650</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (17,321)</u></u>	<u><u>\$ (16,780)</u></u>	<u><u>\$ 541</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 141,890</u>	<u>\$ 136,891</u>	<u>\$ (4,999)</u>
Total Expenditures and Other Financing Uses	<u>140,501</u>	<u>131,293</u>	<u>9,208</u>
Net Change in Fund Balance	1,389	5,598	4,209
Fund Balance at Beginning of Year	<u>11,381</u>	<u>11,381</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 12,770</u></u>	<u><u>\$ 16,979</u></u>	<u><u>\$ 4,209</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 86,291</u>	<u>\$ 86,293</u>	<u>\$ 2</u>
Total Expenditures and Other Financing Uses	<u>92,935</u>	<u>92,848</u>	<u>87</u>
Net Change in Fund Balance	(6,644)	(6,555)	89
Fund Balance at Beginning of Year	2,900	2,900	0
Prior Year Encumbrances	<u>2,928</u>	<u>2,928</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (816)</u></u>	<u><u>\$ (727)</u></u>	<u><u>\$ 89</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	EESA TITLE II FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Total Revenues and Other Financing Sources	<u>\$ 188,734</u>	<u>\$ 190,299</u>	<u>\$ 1,565</u>
Total Expenditures and Other Financing Uses	<u>237,681</u>	<u>139,512</u>	<u>98,169</u>
Net Change in Fund Balance	(48,947)	50,787	99,734
Fund Balance at Beginning of Year	8,414	8,414	0
Prior Year Encumbrances	<u>14,106</u>	<u>14,106</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (26,427)</u></u>	<u><u>\$ 73,307</u></u>	<u><u>\$ 99,734</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 1,040,712</u>	<u>\$ 1,040,971</u>	<u>\$ 259</u>
Total Expenditures and Other Financing Uses	<u>1,090,282</u>	<u>1,087,961</u>	<u>2,321</u>
Net Change in Fund Balance	(49,570)	(46,990)	2,580
Fund Balance at Beginning of Year	17,410	17,410	0
Prior Year Encumbrances	<u>27,650</u>	<u>27,650</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (4,510)</u></u>	<u><u>\$ (1,930)</u></u>	<u><u>\$ 2,580</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 86,000	\$ 92,055	\$ 6,055
Total Expenditures and Other Financing Uses	88,024	66,833	21,191
Net Change in Fund Balance	(2,024)	25,222	27,246
Fund Balance at Beginning of Year	62,150	62,150	0
Prior Year Encumbrances	4,978	4,978	0
Fund Balance at End of Year	<u>\$ 65,104</u>	<u>\$ 92,350</u>	<u>\$ 27,246</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 31,865</u>	<u>\$ 31,865</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>36,751</u>	<u>35,963</u>	<u>788</u>
Net Change in Fund Balance	(4,886)	(4,098)	788
Fund Balance at Beginning of Year	<u>484</u>	<u>484</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (4,402)</u></u>	<u><u>\$ (3,614)</u></u>	<u><u>\$ 788</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 213,513</u>	<u>\$ 213,581</u>	<u>\$ 68</u>
Total Expenditures and Other Financing Uses	<u>238,449</u>	<u>229,766</u>	<u>8,683</u>
Net Change in Fund Balance	(24,936)	(16,185)	8,751
Fund Balance at Beginning of Year	9,839	9,839	0
Prior Year Encumbrances	<u>16,954</u>	<u>16,954</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 1,857</u></u>	<u><u>\$ 10,608</u></u>	<u><u>\$ 8,751</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	TITLE I FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Total Revenues and Other Financing Sources	<u>\$ 437,044</u>	<u>\$ 437,064</u>	<u>\$ 20</u>
Total Expenditures and Other Financing Uses	<u>456,226</u>	<u>456,226</u>	<u>0</u>
Net Change in Fund Balance	(19,182)	(19,162)	20
Fund Balance at Beginning of Year	(8,526)	(8,526)	0
Prior Year Encumbrances	<u>32,768</u>	<u>32,768</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 5,060</u></u>	<u><u>\$ 5,080</u></u>	<u><u>\$ 20</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 132,618	\$ 128,619	\$ (3,999)
Total Expenditures and Other Financing Uses	146,169	141,078	5,091
Net Change in Fund Balance	(13,551)	(12,459)	1,092
Fund Balance at Beginning of Year	(12,796)	(12,796)	0
Prior Year Encumbrances	52,701	52,701	0
Fund Balance at End of Year	<u>\$ 26,354</u>	<u>\$ 27,446</u>	<u>\$ 1,092</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 27,000	\$ 27,330	\$ 330
Total Expenditures and Other Financing Uses	30,848	30,306	542
Net Change in Fund Balance	(3,848)	(2,976)	872
Fund Balance at Beginning of Year	(656)	(656)	0
Prior Year Encumbrances	656	656	0
Fund Balance at End of Year	<u>\$ (3,848)</u>	<u>\$ (2,976)</u>	<u>\$ 872</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 7,400	\$ 7,429	\$ 29
Total Expenditures and Other Financing Uses	8,891	8,326	565
Net Change in Fund Balance	(1,491)	(897)	594
Fund Balance at Beginning of Year	(256)	(256)	0
Prior Year Encumbrances	1,724	1,724	0
Fund Balance at End of Year	<u>\$ (23)</u>	<u>\$ 571</u>	<u>\$ 594</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 5,889	\$ 8,349	\$ 2,460
Total Expenditures and Other Financing Uses	12,653	12,138	515
Net Change in Fund Balance	(6,764)	(3,789)	2,975
Fund Balance at Beginning of Year	259	259	0
Prior Year Encumbrances	5,181	5,181	0
Fund Balance at End of Year	<u>\$ (1,324)</u>	<u>\$ 1,651</u>	<u>\$ 2,975</u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

PERMANENT IMPROVEMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 835,484	\$ 1,376,434	\$ 540,950
Total Expenditures and Other Financing Uses	<u>1,659,769</u>	<u>1,380,983</u>	<u>278,786</u>
Net Change in Fund Balance	(824,285)	(4,549)	819,736
Fund Balance at Beginning of Year	667,147	667,147	0
Prior Year Encumbrances	<u>73,231</u>	<u>73,231</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (83,907)</u></u>	<u><u>\$ 735,829</u></u>	<u><u>\$ 819,736</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 0</u>	<u>\$ 1,038</u>	<u>\$ 1,038</u>
Total Expenditures and Other Financing Uses	<u>60,000</u>	<u>9,588</u>	<u>50,412</u>
Net Change in Fund Balance	(60,000)	(8,550)	51,450
Fund Balance at Beginning of Year	<u>101,439</u>	<u>101,439</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 41,439</u></u>	<u><u>\$ 92,889</u></u>	<u><u>\$ 51,450</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	0
Fund Balance at Beginning of Year	<u>347</u>	<u>347</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 347</u></u>	<u><u>\$ 347</u></u>	<u><u>\$ 0</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

INTERACTIVE VIDEO DISTANCE LEARNING FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures and Other Financing Uses	<u>2,700</u>	<u>1,200</u>	<u>1,500</u>
Net Change in Fund Balance	(2,700)	(1,200)	1,500
Fund Balance at Beginning of Year	1,500	1,500	0
Prior Year Encumbrances	<u>1,200</u>	<u>1,200</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 1,500</u></u>	<u><u>\$ 1,500</u></u>

KETTERING CITY SCHOOL DISTRICT

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Fund
For the Fiscal Year Ended June 30, 2004***

	PERMANENT FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Total Revenues and Other Financing Sources	<u>\$ 0</u>	<u>\$ 135</u>	<u>\$ 135</u>
Total Expenditures and Other Financing Uses	<u>200</u>	<u>0</u>	<u>200</u>
Net Change in Fund Balance	(200)	135	335
Fund Balance at Beginning of Year	<u>13,233</u>	<u>13,233</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 13,033</u></u>	<u><u>\$ 13,368</u></u>	<u><u>\$ 335</u></u>

KETTERING CITY SCHOOL DISTRICT

Fiduciary Funds

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

Agency Funds

Student Managed Activity Fund

This fund reflects resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

Employee Benefit Fund

Accounts for the premiums received and the claims and administrative costs paid by the School District for employee health and dental/vision insurance.

KETTERING CITY SCHOOL DISTRICT

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2004***

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<u>Student Managed Activity Fund</u>				
Assets:				
Cash and Cash Equivalents	\$77,691	\$128,151	(\$145,295)	\$60,547
Total Assets	<u>\$77,691</u>	<u>\$128,151</u>	<u>(\$145,295)</u>	<u>\$60,547</u>
Liabilities:				
Due to Students	\$77,691	\$128,151	(\$145,295)	\$60,547
Total Liabilities	<u>\$77,691</u>	<u>\$128,151</u>	<u>(\$145,295)</u>	<u>\$60,547</u>
<u>Employee Benefits Fund</u>				
Assets:				
Cash and Cash Equivalents	\$89,714	\$242,997	(\$228,045)	\$104,666
Total Assets	<u>\$89,714</u>	<u>\$242,997</u>	<u>(\$228,045)</u>	<u>\$104,666</u>
Liabilities:				
Claims Payable	\$59,378	\$39,844	(\$59,378)	\$39,844
Due to Others	30,336	203,153	(168,667)	64,822
Total Liabilities	<u>\$89,714</u>	<u>\$242,997</u>	<u>(\$228,045)</u>	<u>\$104,666</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$167,405	\$371,148	(\$373,340)	\$165,213
Total Assets	<u>\$167,405</u>	<u>\$371,148</u>	<u>(\$373,340)</u>	<u>\$165,213</u>
Liabilities:				
Claims Payable	\$59,378	\$39,844	(\$59,378)	\$39,844
Due to Others	30,336	203,153	(168,667)	64,822
Due to Students	77,691	128,151	(145,295)	60,547
Total Liabilities	<u>\$167,405</u>	<u>\$371,148</u>	<u>(\$373,340)</u>	<u>\$165,213</u>

KETTERING CITY SCHOOL DISTRICT

***CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS***

KETTERING CITY SCHOOL DISTRICT

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
June 30, 2004***

Capital Assets

Land	\$466,616
Buildings and Improvements	31,578,194
Furniture, Vehicles and Equipment	5,410,615
Construction in Progress	<u>26,107,826</u>
Total Capital Assets	<u><u>\$63,563,251</u></u>

Investment in Capital Assets from:

General Fund	\$4,916,606
Special Revenue Funds	407,337
Capital Project Funds	<u>58,239,308</u>
Total Investment in Capital Assets	<u><u>\$63,563,251</u></u>

KETTERING CITY SCHOOL DISTRICT

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2004***

Function and Activity	Land	Buildings and Improvements	Furniture, Vehicles and Equipment	Construction in Progress	Total
Instructional Services					
Regular	\$458,616	\$16,794,580	\$664,622	\$0	\$17,917,818
Special	0	0	197,331	0	197,331
Vocational	0	0	452,988	0	452,988
Support Services:					
Pupils	0	0	58,569	0	58,569
Instructional Staff	0	0	267,702	0	267,702
Administration	8,000	205,000	246,198	0	459,198
Fiscal Services	0	0	65,903	0	65,903
Business	0	0	476,842	0	476,842
Operation and Maintenance of Plant	0	0	373,095	0	373,095
Pupil Transportation	0	0	1,754,945	0	1,754,945
Central	0	0	356,637	0	356,637
Non-Instructional Services	0	0	474,577	0	474,577
Extracurricular Activities	0	0	21,206	0	21,206
Facility Acquisition and Construction	0	14,578,614	0	26,107,826	40,686,440
Total Capital Assets	<u>\$466,616</u>	<u>\$31,578,194</u>	<u>\$5,410,615</u>	<u>\$26,107,826</u>	<u>\$63,563,251</u>

KETTERING CITY SCHOOL DISTRICT

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For the Fiscal Year Ended June 30, 2004***

Function and Activity	June 30, 2003	Additions	Deletions	June 30, 2004
Instructional Services				
Regular	\$17,870,231	\$47,587	\$0	\$17,917,818
Special	197,331	0	0	197,331
Vocational	452,988	0	0	452,988
Support Services:				
Pupils	58,569	0	0	58,569
Instructional Staff	267,702	0	0	267,702
Administration	459,198	0	0	459,198
Fiscal Services	65,903	0	0	65,903
Business	476,842	0	0	476,842
Operation and Maintenance of Plant	375,992	0	(2,897)	373,095
Pupil Transportation	1,588,645	271,300	(105,000)	1,754,945
Central	356,637	0	0	356,637
Non-Instructional Services	439,441	35,136	0	474,577
Extracurricular Activities	21,206	0	0	21,206
Facility Acquisition and Construction	17,530,495	23,155,945	0	40,686,440
Total Capital Assets	<u>\$40,161,180</u>	<u>\$23,509,968</u>	<u>(\$107,897)</u>	<u>\$63,563,251</u>

STATISTICAL TABLES

T ***HE FOLLOWING UNAUDITED STATISTICAL TABLES REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND FISCAL CAPACITY OF THE DISTRICT.***

KETTERING CITY SCHOOL DISTRICT



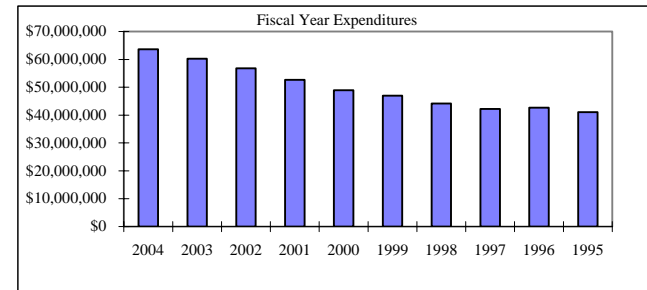
KETTERING CITY SCHOOL DISTRICT, OHIO

GENERAL FUND EXPENDITURES BY FUNCTION LAST TEN FISCAL YEARS (1)

	2004 Fiscal	2003 Fiscal	2002 Fiscal	2001 Fiscal	2000 Fiscal	1999 Fiscal	1998 Fiscal	1997 Fiscal	1996 Fiscal	1995 Fiscal
Instruction	\$36,437,076	\$34,255,991	\$32,968,156	\$30,263,928	\$28,068,880	\$27,701,029	\$25,873,143	\$24,781,696	\$24,761,092	\$24,149,420
Pupil Support	4,759,271	4,450,340	3,992,908	3,689,028	3,367,631	3,339,089	3,171,244	3,081,770	3,140,318	3,005,286
Instructional Staff Support	3,553,729	3,390,846	2,478,821	2,258,215	2,004,574	1,799,145	1,661,116	1,473,362	1,547,427	1,510,360
Board of Education	46,043	63,163	49,099	48,890	41,882	64,039	55,101	40,665	53,010	47,247
Administration	5,326,732	4,777,190	4,709,537	4,426,041	4,189,610	3,462,423	3,438,046	3,147,860	3,478,666	3,167,268
Fiscal Services	1,393,961	1,262,484	1,370,038	1,255,064	1,147,099	990,188	797,455	827,174	591,246	1,083,407
Business	623,235	730,388	664,441	704,132	744,856	750,168	549,380	756,728	560,836	637,721
Plant Operations	6,621,640	6,375,638	5,695,882	5,481,783	5,301,331	5,103,205	5,032,322	4,769,614	5,016,837	4,692,348
Pupil Transportation	2,383,088	2,349,572	2,340,739	2,059,335	1,805,751	1,691,214	1,807,120	1,638,472	1,542,442	1,560,123
Central	1,046,833	1,110,377	980,705	869,380	685,341	490,522	551,731	443,983	383,990	411,371
Non-Instructional Services	2,252	1,622	631	1,283	1,507	1,827	1,041	1,243	1,270	1,013
Extracurricular Activities	1,068,255	1,042,543	993,865	928,070	865,333	847,790	800,792	730,494	698,747	725,308
Capital Outlay	2,986	34,342	58,884	43,869	83,403	42,210	55,552	50,815	631,991	32,121
Debt Service	332,294	338,555	478,819	372,353	151,423	150,183	147,527	150,183	45,511	23,123
Other Financing Uses	13,500	13,500	13,500	210,000	456,125	501,982	210,801	306,119	279,917	51,761
Total Expenditures and Other Financing Uses	<u>\$63,610,895</u>	<u>\$60,196,551</u>	<u>\$56,796,025</u>	<u>\$52,611,371</u>	<u>\$48,914,746</u>	<u>\$46,935,014</u>	<u>\$44,152,371</u>	<u>\$42,200,178</u>	<u>\$42,733,300</u>	<u>\$41,097,877</u>

Source: Kettering City School District Financial Records

(1) All fiscal years reported on a GAAP basis.



KETTERING CITY SCHOOL DISTRICT, OHIO

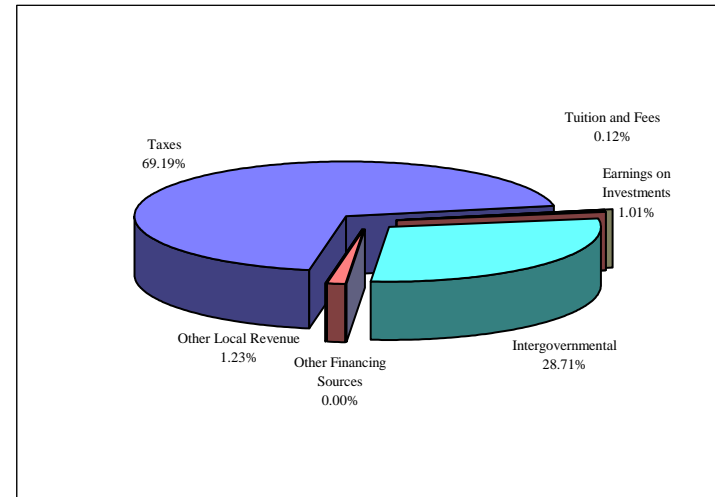
GENERAL FUND REVENUES BY SOURCE LAST TEN FISCAL YEARS (1)

	2004 Fiscal	2003 Fiscal	2002 Fiscal	2001 Fiscal	2000 Fiscal	1999 Fiscal	1998 Fiscal	1997 Fiscal	1996 Fiscal	1995 Fiscal
Taxes	\$39,534,289	\$36,239,312	\$48,038,743	\$43,400,486	\$38,407,084	\$37,044,947	\$36,393,675	\$35,217,070	\$32,558,028	\$30,251,651
Tuition and Fees	66,253	131,530	127,616	118,187	146,437	119,823	43,674	35,829	35,334	38,123
Earnings on Investments	274,464	545,805	874,434	1,534,530	1,241,325	1,068,868	1,056,544	812,702	699,862	659,613
Intergovernmental	16,405,372	16,336,208	14,817,081	11,147,663	10,214,285	9,895,652	8,895,297	8,667,382	8,157,609	7,939,529
Other Local Revenues	859,359	660,773	687,315	746,884	422,332	701,472	562,949	354,710	657,106	440,799
Other Financing Sources	0	0	16,454	1,537	5,523	3,284	11,700	39,800	0	0
Total Revenues and Other Financing Sources	<u>\$57,139,737</u>	<u>\$53,913,628</u>	<u>\$64,561,643</u>	<u>\$56,949,287</u>	<u>\$50,436,986</u>	<u>\$48,834,046</u>	<u>\$46,963,839</u>	<u>\$45,127,493</u>	<u>\$42,107,939</u>	<u>\$39,329,715</u>

Source: Kettering City School District Financial Records

(1) All fiscal years reported on a GAAP basis.

2004 Fiscal Year Revenues By Source



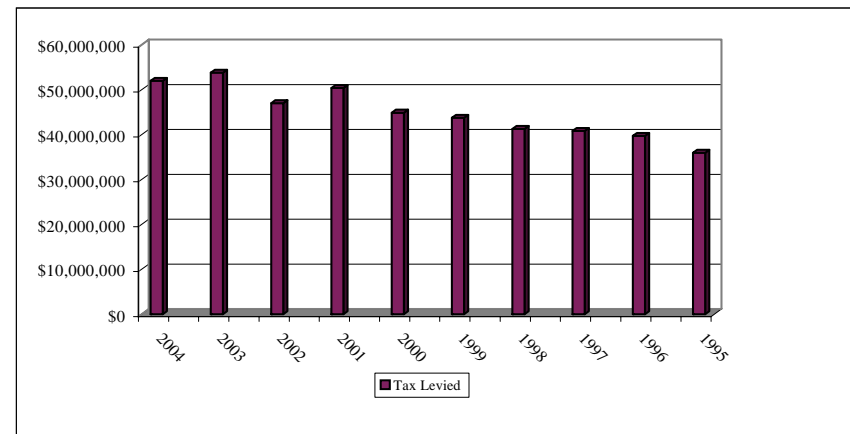
KETTERING CITY SCHOOL DISTRICT, OHIO

PROPERTY TAX LEVIES AND COLLECTIONS - REAL, PERSONAL, AND PUBLIC UTILITY PROPERTY LAST TEN COLLECTION (CALENDAR) YEARS

Collection Year	Tax Levied (1)	Current Tax Collections (2)	Percent Collected	Delinquent Collection	Total Tax Collections (2)	Percent of Total Collections To Levy	Outstanding Delinquent Taxes (3)	Percent of Outstanding Delinquent Taxes To Tax Levied
2004	\$51,960,333	\$51,053,894	98.26%	\$1,081,944	\$52,135,838	100.34%	\$4,372,384	8.56%
2003	53,779,128	50,574,089	94.04%	454,935	51,029,024	94.89%	2,632,801	4.90%
2002	46,987,959	45,336,209	96.48%	1,321,662	46,657,871	99.30%	1,576,839	3.36%
2001	50,386,264	47,960,477	95.19%	1,185,137	49,145,614	97.54%	1,388,513	2.76%
2000	44,879,638	44,381,401	98.89%	1,061,019	45,442,420	101.25%	2,103,823	4.69%
1999	43,746,765	42,478,593	97.10%	1,144,286	43,622,879	99.72%	1,713,996	3.92%
1998	41,284,309	42,023,033	101.79%	1,150,888	43,173,921	104.58%	1,686,924	4.09%
1997	40,843,160	39,539,747	96.81%	1,688,788	41,228,535	100.94%	1,599,255	3.92%
1996	39,719,917	39,299,492	98.94%	823,389	40,122,881	101.01%	2,929,414	7.38%
1995	35,981,853	35,420,771	98.44%	844,373	36,265,144	100.79%	2,885,789	8.02%

Source: Montgomery County Auditor.

- (1) Taxes levied and collected are presented on a cash basis.
- (2) State reimbursements of rollback and homestead exemptions are included; December 2004 settlement estimate included.
- (3) Penalties and interest are included, since by Ohio law they become part of the tax obligation as assessment occurs.



KETTERING CITY SCHOOL DISTRICT, OHIO

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

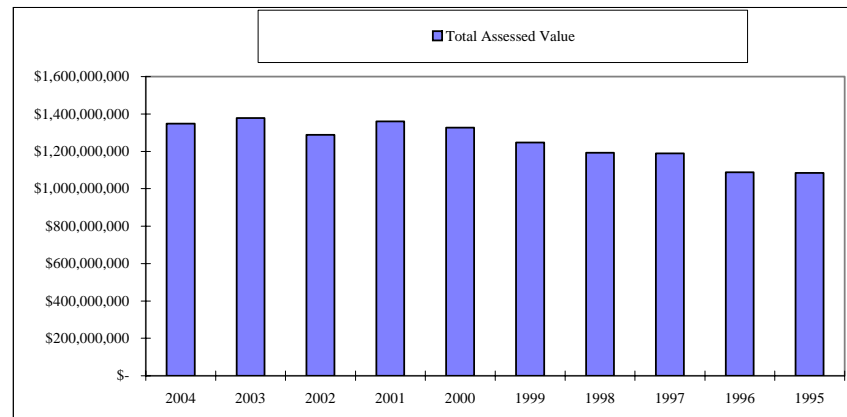
Tax Collection Year	Agricultural, and Residential Real Estate		Commercial, Industrial, and Public Utility Real Estate (1)		Tangible Personal (2)		Public Utility Tangible Personal		Total		Assessed Value Ratio (3)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2004	\$826,139,880	\$2,360,399,657	\$318,533,530	\$910,095,800	\$134,709,010	\$538,836,040	\$68,630,430	\$176,255,422	\$1,348,012,850	\$3,985,586,919	34%
2003	825,297,880	2,357,993,943	319,504,960	912,871,314	162,332,926	649,331,704	70,859,650	181,980,465	1,377,995,416	4,102,177,426	34%
2002	755,044,190	2,157,269,114	294,161,740	840,462,114	175,257,840	701,031,364	63,730,190	163,670,715	1,288,193,960	3,862,433,307	33%
2001	752,773,880	2,150,782,514	309,558,200	884,452,000	188,035,293	752,141,172	109,567,330	124,508,330	1,359,934,703	3,911,884,016	35%
2000	752,893,620	2,151,124,629	303,357,940	866,736,971	181,081,808	724,327,232	88,732,220	100,832,068	1,326,065,588	3,843,020,900	35%
1999	698,042,250	1,994,406,429	280,765,230	802,186,371	185,801,525	743,206,100	82,582,490	93,843,739	1,247,191,495	3,633,642,639	34%
1998	695,332,700	1,986,664,857	266,738,510	762,110,029	152,139,878	608,559,512	78,310,660	88,989,386	1,192,521,748	3,446,323,784	35%
1997	691,790,430	1,976,544,086	268,455,100	767,014,571	160,415,784	641,663,136	68,122,700	77,412,159	1,188,784,014	3,462,633,952	34%
1996	618,432,810	1,766,950,886	254,496,350	727,132,429	155,505,072	622,020,288	59,239,660	67,317,795	1,087,673,892	3,183,421,398	34%
1995	617,056,940	1,763,019,829	252,017,690	720,050,543	153,873,867	615,495,468	61,652,470	70,059,625	1,084,600,967	3,168,625,464	34%

Source: Montgomery County Auditor.

(1) Includes Public Utility Real Property.

(2) Includes Personal Property \$10,000 exemption.

(3) Ratio represents Total Assessed Value/Total Estimated Actual Value.



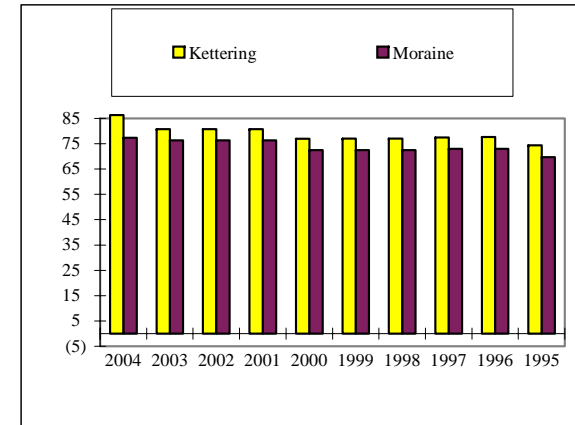
KETTERING CITY SCHOOL DISTRICT, OHIO

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

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Montgomery County	18.24	17.24	17.24	17.24	16.64	16.64	16.64	16.64	16.64	16.64
Dayton/Montgomery County Library	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.72	0.72	0.72
City of Kettering	6.85	6.91	6.92	6.92	6.92	6.98	7.00	7.00	7.17	7.17
Kettering City School District	60.90	56.30	56.30	56.30	53.10	53.10	53.10	53.10	53.10	49.80
Total for City of Kettering Residents	86.25	80.71	80.72	80.72	76.92	76.98	77.00	77.46	77.63	74.33
City of Moraine	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total for City of Moraine Residents	77.34	76.30	76.30	76.30	72.50	72.50	72.50	72.96	72.96	69.66

Source: Montgomery County Auditor.

(1) Montgomery County property tax rate records are maintained on a calendar/collection year basis.



KETTERING CITY SCHOOL DISTRICT, OHIO

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN YEARS

Collection Year	Population (1)	Total Assessed Value (2)	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
2004	61,940	\$1,348,012,850	\$111,916,285	\$2,291,869	\$109,624,416	8.30%	\$1,770
2003	61,940	1,377,995,416	102,344,955	5,233,203	97,111,752	7.02%	\$1,568
2002	61,940	1,288,193,960	15,425,667	1,123,191	14,302,476	1.11%	\$231
2001	61,940	1,359,934,703	15,935,000	809,347	15,125,653	1.11%	\$244
2000	61,940	1,326,065,588	15,270,240	978,825	14,291,415	1.08%	\$231
1999	62,371	1,247,191,496	15,852,278	839,979	15,012,299	1.20%	\$241
1998	62,352	1,192,521,748	16,444,056	763,086	15,680,970	1.31%	\$251
1997	62,250	1,188,784,014	15,224,732	653,286	14,571,446	1.23%	\$234
1996	62,190	1,087,673,892	15,612,144	615,901	14,996,243	1.38%	\$241
1995	61,862	1,084,600,967	15,007,989	714,318	14,293,671	1.32%	\$231

Sources:

- (1) Census data for 1990 and 2000, estimates from the Cities of Kettering and Moraine.
- (2) Montgomery County Auditor, calendar year basis.

KETTERING CITY SCHOOL DISTRICT, OHIO

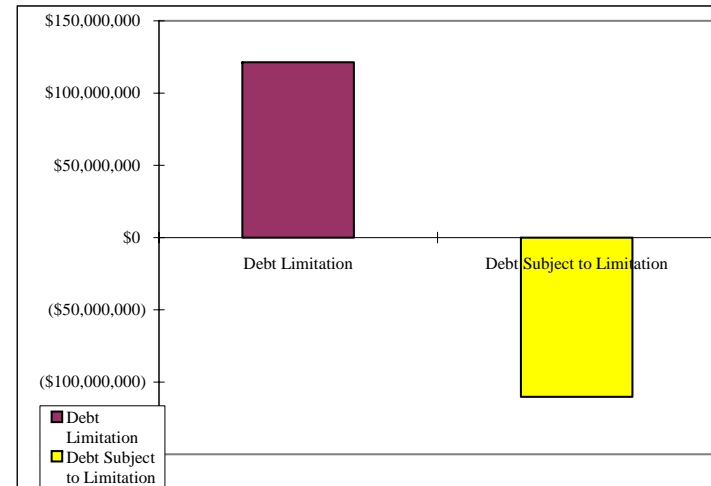
COMPUTATION OF LEGAL DEBT MARGIN

JUNE 30, 2004

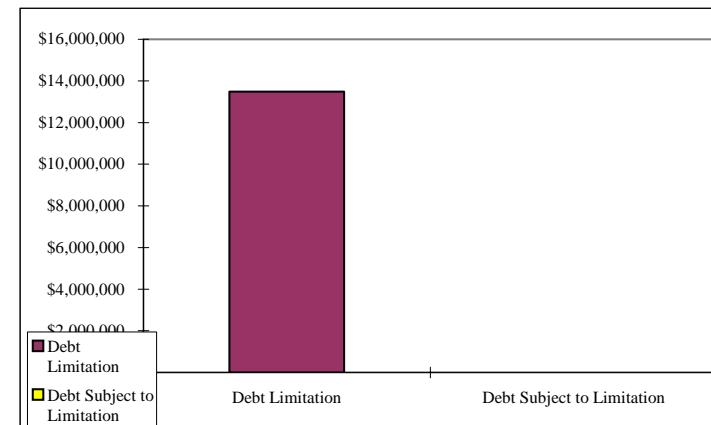
Assessed Valuation of District		<u><u>\$1,348,012,850</u></u>
Overall Direct Debt Limitation		
Direct debt limitation		
9% of assessed valuation		\$121,321,157
Amount available in Debt Service Fund		2,291,869
Gross indebtedness	111,916,285	
Less: Debt exempt from limitation	<u>(1,661,285)</u>	
Debt subject to 9% limitation		<u>(110,255,000)</u>
Legal debt margin with 9% limitation		<u><u>\$13,358,026</u></u>
Unvoted Direct Debt Limitation		
Unvoted debt limitation		
0.1% of assessed valuation		\$13,480,129
Amount available in Debt Service Fund related to unvoted debt		0
Gross indebtedness authorized by the Board	111,916,285	
Less: Debt exemption from limitation	<u>(111,916,285)</u>	
Debt subject to 0.1% limitation		<u>0</u>
Legal debt margin within 0.1% limitation		<u><u>\$13,480,129</u></u>
Energy Conservation Bond Limitation		
Ohio Revised Code Section 133.042		
Debt Limitation		
0.9% of assessed valuation		\$12,132,116
Energy Conservation Bonds Authorized by the Board		(1,661,285)
Energy conservation notes authorized by the Board		<u>0</u>
Legal debt margin within 0.9% limitation		<u><u>\$10,470,831</u></u>

Source: Kettering City School District records.

Overall Direct Debt Limitation



Unvoted Direct Debt Limitation



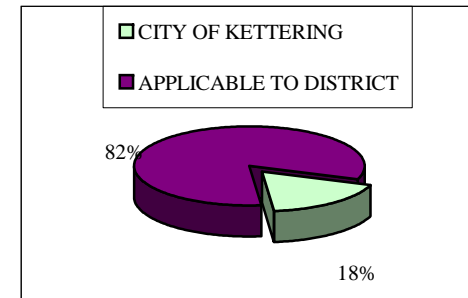
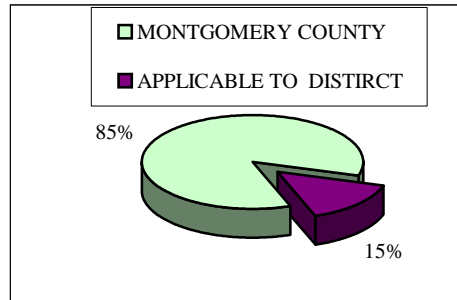
KETTERING CITY SCHOOL DISTRICT, OHIO

COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2004

Governmental Unit	Gross General Obligation	Percent Applicable to District	Amount Applicable to District
Direct:			
Kettering City School District	\$111,916,285	100.00%	\$111,916,285
Overlapping:			
Montgomery County	35,982,639	14.66%	5,275,055
City of Kettering	7,556,336	82.21%	6,212,064
City of Moraine	0	17.79%	0
Total overlapping:	43,538,975		11,487,119
Total direct and overlapping debt:	\$155,455,260		\$123,403,404

Source: Montgomery County Auditor.

OVERLAPPING DEBT APPLICABLE TO DISTRICT



KETTERING CITY SCHOOL DISTRICT, OHIO

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
LAST TEN FISCAL YEARS (1)**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures and Other Financing Uses	Ratio of Debt Service to General Fund Expenditures (%)
2004	\$5,428,670	\$4,558,537	\$9,987,207	\$63,610,895	15.70%
2003	480,712	1,522,966	2,003,678	60,196,551	3.33%
2002	494,333	838,860	1,333,193	56,796,025	2.35%
2001	520,240	828,768	1,349,008	52,611,371	2.56%
2000	612,038	856,056	1,468,094	48,914,746	3.00%
1999	591,778	885,977	1,477,755	46,935,014	3.15%
1998	403,176	824,195	1,227,371	44,152,371	2.78%
1997	387,442	841,503	1,228,945	42,200,178	2.91%
1996	275,561	826,586	1,102,147	42,733,300	2.58%
1995	7,011	805,878	812,889	41,097,877	1.98%

Source: Kettering City School District records.

(1) All fiscal years reported on a GAAP basis.

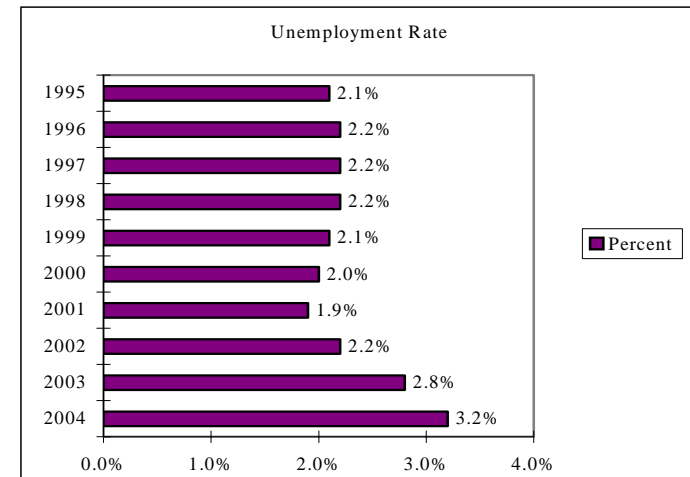
KETTERING CITY SCHOOL DISTRICT, OHIO

DEMOGRAPHIC STATISTICS LAST TEN YEARS

Year	Population (1)(5)	School Enrollment (2)	Per Capita Income (3)(5)	Unemployment Rate (4)(5)
2004	61,940	\$7,587	\$29,835	3.2%
2003	61,940	7,951	27,093	2.8%
2002	61,940	7,847	26,811	2.2%
2001	61,940	8,038	25,956	1.9%
2000	61,940	8,004	26,475	2.0%
1999	62,371	8,031	25,956	2.1%
1998	62,352	8,041	25,447	2.2%
1997	62,250	8,061	24,948	2.2%
1996	62,190	7,991	23,988	2.2%
1995	61,862	7,954	23,066	2.1%

Sources:

- (1) Based on census data for 1990 & 2000. All other years are estimates from the Cities of Kettering and Moraine; includes an estimated 1,371 population from the portion of the City of Moraine which is in the Kettering City School District.
- (2) Kettering City School District Records.
- (3) Data for the City of Kettering, Ohio from Department of Planning and Development; 2003 as of December.
- (4) Data for the City of Kettering, Ohio from Ohio Bureau of Employment Services; 2003 as of December.
- (5) Prior year amounts have been restated to reflect current available information.



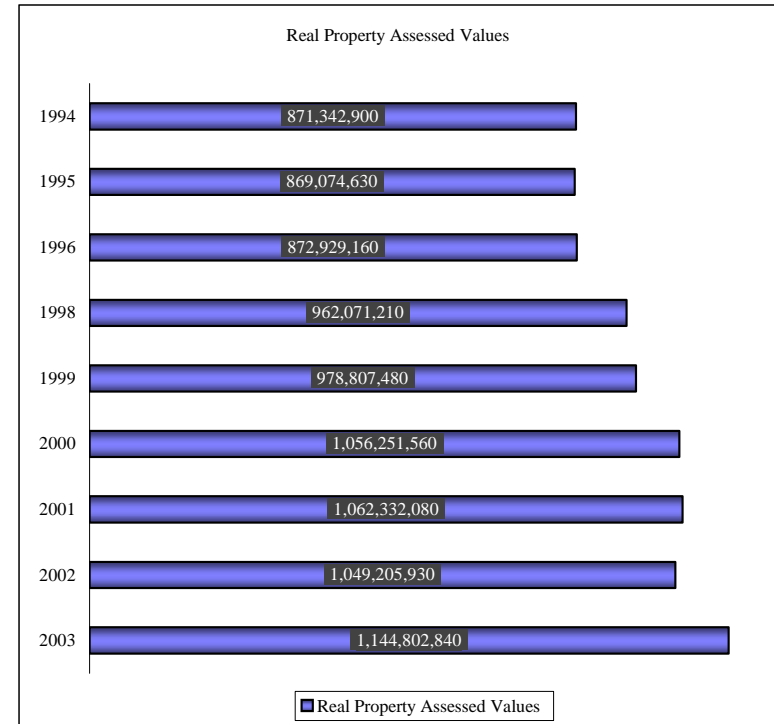
KETTERING CITY SCHOOL DISTRICT, OHIO

CONSTRUCTION, BANK DEPOSITS, AND PROPERTY VALUES LAST TEN COLLECTION (CALENDAR) YEARS

Collection Year	Residential Construction (1)	Commercial Construction (1)	Bank Deposits (2) in Thousands	Real Property Assessed Values (3)
2003	\$10,483,776	\$36,075,334	\$249,614	\$1,144,802,840
2002	7,172,479	26,529,212	241,447	1,049,205,930
2001	10,043,682	23,059,939	224,099	1,062,332,080
2000	9,830,923	58,217,405	191,473	1,056,251,560
1999	8,569,914	25,932,701	2,994,378	978,807,480
1998	10,590,067	25,430,152	3,264,705	962,071,210
1997	8,889,562	82,833,051	3,530,314	960,245,530
1996	8,555,747	40,184,215	3,899,145	872,929,160
1995	7,777,188	26,306,619	3,995,114	869,074,630
1994	4,431,111	28,871,108	4,034,766	871,342,900

Sources:

- (1) City of Kettering, Ohio, Department of Planning and Development.
- (2) Federal Reserve Bank of Cleveland - amounts are for Montgomery County.
- (3) Montgomery County Auditor, calendar year basis.



KETTERING CITY SCHOOL DISTRICT, OHIO

**TOP TEN PRINCIPAL TAXPAYERS
JUNE 30, 2004**

Name of Taxpayer	Type of Business	Real Property Assessed Valuation	Personal Property Assessed Valuation	Total Assessed Valuation	% of Total Assessed Valuation
Dayton Power and Light	Gas and electric utility	\$52,443,880	\$0	\$52,443,880	3.89%
General Motors Corporation	Automotive manufacturer	13,575,620	22,074,390	35,650,010	2.64%
Delphi Automotive	Auto parts plant	10,050,650	4,927,880	14,978,530	1.11%
Scitex Digital Printing, Inc.	Digital printing	0	12,056,570	12,056,570	0.89%
Ohio Bell	Telephone utility	9,079,440	0	9,079,440	0.67%
Reynolds & Reynolds Co.	Retail Business Forms	6,884,260	1,145,700	8,029,960	0.60%
Bank One	Banking Services	6,330,430	0	6,330,430	0.47%
Residenz	Nursing Home	4,760,000	0	4,760,000	0.35%
Dayton Town & Country Inc.	Property management	4,312,560	0	4,312,560	0.32%
Cricket Communication	Telephone Utility	4,105,250	0	4,105,250	0.30%
Sub-Total		111,542,090	40,204,540	151,746,630	11.26%
All Others		1,101,761,750	94,504,470	1,196,266,220	88.74%
Grand Total		<u>\$1,213,303,840</u>	<u>\$134,709,010</u>	<u>\$1,348,012,850</u>	<u>100.00%</u>

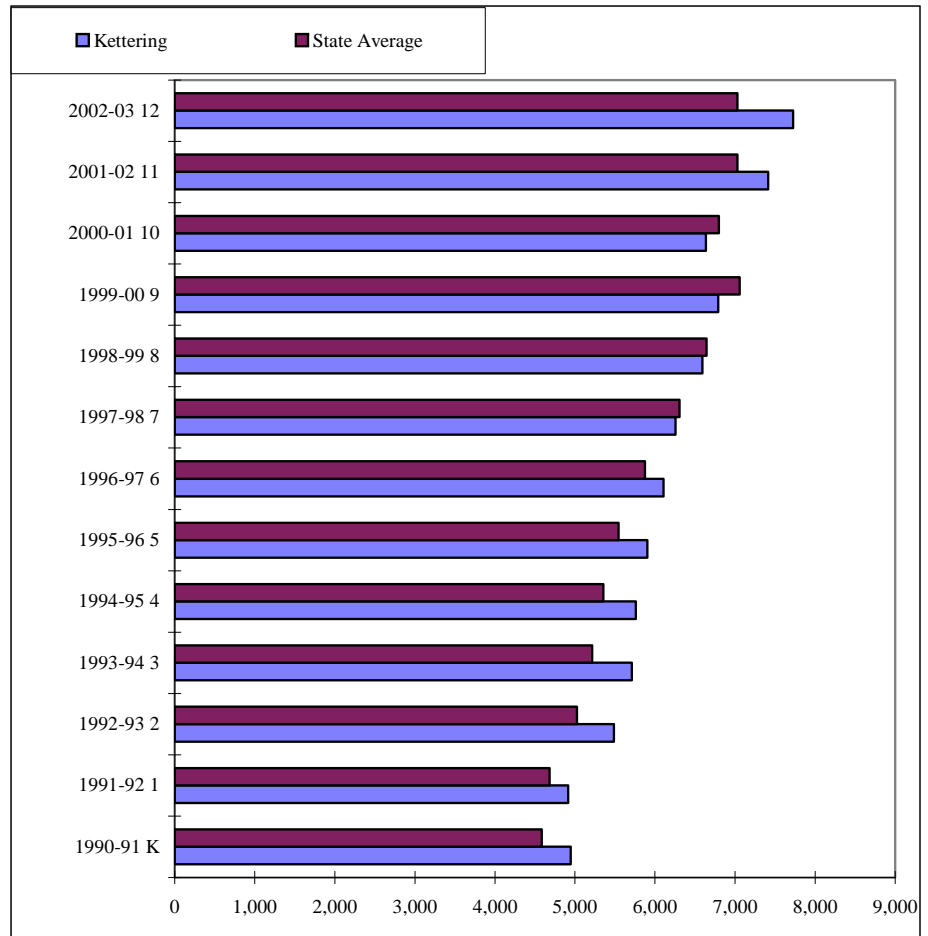
Source: Montgomery County, Ohio, Auditor's Office.

KETTERING CITY SCHOOL DISTRICT, OHIO

COST TO EDUCATE A 2003 GRADUATE JUNE 30, 2004

School Year	Grade	All Funds Cost Per Pupil	
		Kettering City	State Average
1990-91	K	\$4,946	\$4,585
1991-92	1	4,914	4,685
1992-93	2	5,486	5,024
1993-94	3	5,711	5,216
1994-95	4	5,761	5,353
1995-96	5	5,905	5,545
1996-97	6	6,104	5,876
1997-98	7	6,256	6,307
1998-99	8	6,591	6,642
1999-00	9	6,789	7,057
2000-01	10	6,637	6,796
2001-02	11	7,412	7,030
2002-03	12	7,726	7,726

Source: Kettering City School District Records.



KETTERING CITY SCHOOL DISTRICT, OHIO

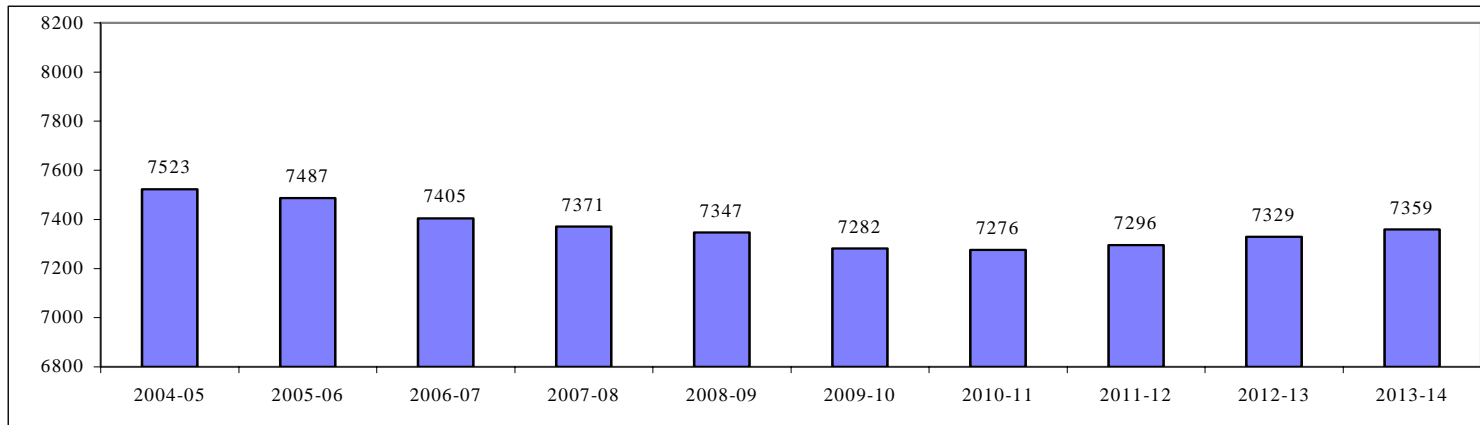
ENROLLMENT PROJECTION BY GRADE JUNE 30, 2004

Actual:	<u>K</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>Sp.Ed.*</u>	Total
2000-01	555	550	585	573	650	597	629	656	631	658	623	642	562	9	7920
2001-02	522	577	557	573	582	655	604	626	652	621	639	656	574	0	7838
2002-03	558	548	545	545	535	543	582	635	592	626	657	589	567	0	7522
2003-04	570	547	549	546	540	545	581	638	594	630	666	595	577	6	7584

The following are projections:

2004-05	547	587	541	538	541	543	554	578	643	609	613	678	551	0	7523
2005-06	572	571	578	534	534	543	540	549	579	657	594	632	604	0	7487
2006-07	573	597	563	572	530	535	541	536	550	592	641	612	563	0	7405
2007-08	573	598	588	556	567	532	538	537	537	562	578	660	545	0	7371
2008-09	573	598	589	582	551	568	533	534	538	549	548	596	588	0	7347
2009-10	573	598	589	583	578	552	563	529	535	550	536	565	531	0	7282
2010-11	573	598	589	583	579	579	547	558	530	547	537	552	504	0	7276
2011-12	573	598	589	583	579	580	572	542	559	542	534	553	492	0	7296
2012-13	573	598	589	583	579	580	573	567	543	572	529	550	493	0	7329
2013-14	573	598	589	583	579	580	573	568	568	555	558	545	490	0	7359

* Special Education figures include only those students that are in self contained classes.



KETTERING CITY SCHOOL DISTRICT, OHIO

DIRECTORY OF SCHOOL FACILITIES

JUNE 30, 2004

<u>Facility</u>	<u>Address</u>	<u>Administrator</u>	<u>Grades</u>	<u>2003-2004 Enrollment</u>
Beavertown Elementary School	2700 Wilmington Pike	Mr. Mike Kozarec	K-5	359
Greenmont Elementary School	1 East Wren Circle	Mr. Thomas Tudor	K-5	324
Indian Riffle Elementary School	3090 Glengarry Drive	Ms. Debbie Beiter	K-5	471
J. F. Kennedy Elementary School	5030 Polen Drive	Mr. George Caras	K-5	539
Moraine Meadows Elementary School	2600 Holman Street	Ms. Margaret Engelhardt	K-5	160
Oakview Elementary School	4001 Ackerman Boulevard	Dr. Ronald Sinclair	K-5	433
Orchard Park Elementary School	600 East Dorothy Lane	Mr. David Timpone	K-5	291
J. E. Prass Elementary School	2601 Parklawn Drive	Mr. Richard Bowden	K-5	349
Southdale Elementary School	1200 West Dorothy Lane	Dr. Valerie Browning	K-5	363
Kettering Middle School	3000 Glengarry Drive	Dr. Kyle Ramey	6-8	1,079
Van Buren Middle School	3775 Shroyer Road	Mr. Matthew Rugh	6-8	740
Kettering Fairmont High School	3301 Shroyer Road	Dr. Peg McAtee	9-12	2,479
Buildings and Grounds Department	2636 Wilmington Pike	Mr. Thomas Lee		
Transportation and Bus Garage	2640 Wilmington Pike	Mr. Jeffrey Rush		
Central Administration Building	3750 Far Hills Avenue	Superintendent Dr. Robert Mengerink		

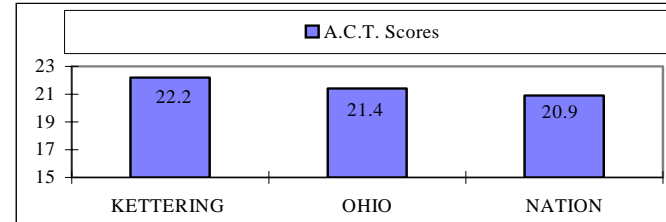
Source: Kettering City School District records.

KETTERING CITY SCHOOL DISTRICT, OHIO

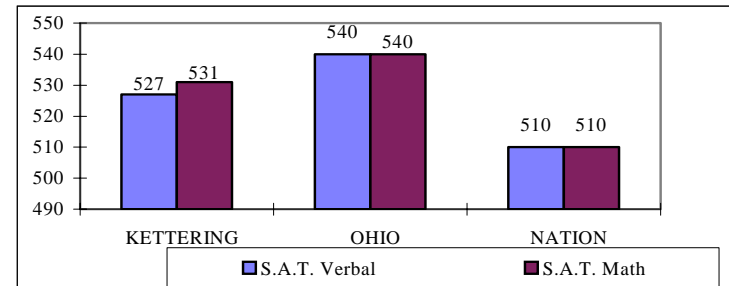
STUDENT TEST SCORES SUMMARY JUNE 30, 2004

PROFICIENCY TEST	PERCENT MEETING STATE STANDARDS		
	4TH GRADE (1)	6TH GRADE (1)	9TH GRADE (1) (2)
WRITING	86%	92%	95%
READING	84%	72%	95%
MATHEMATICS	80%	77%	88%
CITIZENSHIP	76%	77%	93%
SCIENCE	79%	73%	91%

AMERICAN COLLEGE TEST (ACT) (3) (4)	SCORE
KETTERING	22.2
OHIO	21.4
NATION	20.9



SCHOLASTIC APTITUDE TEST (SAT) (5)	MEAN SCORE
VERBAL	
KETTERING CITY	527
OHIO	540
NATION	510
MATHEMATICS	
KETTERING CITY	531
OHIO	540
NATION	510



Source: Kettering City School District Records.

- (1) Percentages represent Kettering City students scoring at or above the State passing standard for each of the five sub-tests.
- (2) The 9th grade Proficiency Test is administered to students in the 8th grade.
- (3) Required for admission to Ohio colleges and universities
- (4) Represent district's most recent figures, which are 2003-04 test scores.

KETTERING CITY SCHOOL DISTRICT, OHIO

MISCELLANEOUS STATISTICS

JUNE 30, 2004

Date Formed	June 26, 1841
Form of Government	Five member Board of Education
Population	61,940
Area	21.3 Square Miles
Full-time Equivalent Staff	1,037
Certificated (FTE)	615
Classified (FTE)	422
Average Years Teaching Experience	13.9
Average Teacher Training	Master's Degree
Student Enrollment	7,587
Facilities	15
Elementary Schools (K-5)	9
Middle Schools (6-8)	2
Senior High School (9-12)	1
Maintenance Building	1
Transportation Building	1
Central Office/Adult School	1
Cost per Pupil	\$7,726

Sources:

Kettering City School District Records.
City of Kettering, Ohio, Department of Planning and Development.
City of Moraine, Ohio, Department of Planning.

KETTERING CITY SCHOOL DISTRICT





**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**