



**Auditor of State
Betty Montgomery**

**GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
BROWN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Georgetown Exempted Village School District
Brown County
1043 Mt. Orab Pike
Georgetown, Ohio 45121

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 Georgetown Exempted Village School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As described in Note 3, during the year that ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The District also adopted Governmental Accounting Standards Board Statements 37, 38, 41, and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

October 18, 2005

Georgetown Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

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

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not available. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities increased \$17,719,147.
- General revenues accounted for \$24,202,960 in revenue or 94% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$1,649,462 or 6% of total revenues of \$25,852,422.
- The School District had \$8,133,275 in expenses related to governmental activities; all of these expenses were offset by program specific charges for services, and grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Georgetown Exempted Village School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Georgetown Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Classroom Facilities Capital Projects Fund.

Governmental Funds Most of the School 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 fiscal 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 School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds The District acts in trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Georgetown Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$30,207,966	\$2,667,545
Capital Assets	8,352,470	8,150,315
Total Assets	<u>38,560,436</u>	<u>10,817,860</u>
Liabilities		
Long-term Liabilities	10,805,926	1,117,185
Other Liabilities	2,625,983	2,292,697
Total Liabilities	<u>13,431,909</u>	<u>3,409,882</u>
Net Assets		
Invested in Capital Assets, Net of Debt	7,862,879	7,481,454
Restricted	17,905,263	208,169
Unrestricted	(639,615)	(281,645)
Total Net Assets	<u>\$25,128,527</u>	<u>\$7,407,978</u>

Total net assets of the District as a whole increased \$17,719,146. The most significant increase in current and other assets affecting restricted net assets was in cash which was due mainly to \$21,800,000 in grants and entitlements not restricted to specific programs. In February of 2004, the District entered into a large classroom facilities project with the Ohio School Facilities Commission, whereby the District will receive more than \$16 million from the State to assist in their building projects. The receivable and the issuance of bond anticipation notes and general obligation bonds are all related to this project. Long-Term liabilities also increased due to the issuance of debt.

Georgetown Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available.

Table 2
Changes in Net Assets

	Governmental Activities
	2004
Revenues	
Program Revenues	
Charges for Services	\$554,893
Operating Grants and Contributions	1,094,569
Total Program Revenues	1,649,462
General Revenues	
Property Taxes	2,183,844
Grants and Entitlements not Restricted to Specific Programs	21,808,289
Gifts and Donations not Restricted to Specific Programs	104,758
Investment Earnings	42,919
Miscellaneous	63,149
Total General Revenues	24,202,959
Total Revenues	25,852,421
Program Expenses	
Instruction:	
Regular	3,617,307
Special	875,532
Vocational	118,108
Other	6,871
Support Services:	
Pupil	298,675
Instructional Staff	340,512
Board of Education	292,964
Administration	711,067
Fiscal	301,842
Operation and Maintenance of Plant	552,967
Pupil Transportation	490,229
Central	1,143
Operation of Non-Instructional Services	334,331
Extracurricular Activities	164,407
Interest and Fiscal Charges	27,320
Total Expenses	8,133,275
Increase in Net Assets	17,719,146
Net Assets, Beginning of Year	7,409,380
Net Assets, End of Year	\$ 25,128,526

Grants and entitlements not restricted to specific programs made up 84.4% of total revenues while property taxes made up 8.4% of total revenues. General revenues made up 93.6% of total revenues. Program revenues made up 6.4% of total revenues.

Regular instruction made up 44.5% of total expenses, while special instruction and administration made up 10.8% and 8.7% of total expenses respectively.

Georgetown Exempted Village School District

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

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2004	
Program Expenses		
Instruction:		
Regular	\$3,617,307	\$3,325,970
Special	875,532	518,084
Vocational	118,108	112,807
Other	6,871	(435)
Support Services:		
Pupil	298,675	230,047
Instructional Staff	340,512	291,096
Board of Education	292,964	279,380
Administration	711,067	673,421
Fiscal	301,842	275,848
Operation and Maintenance of Plant	552,967	498,359
Pupil Transportation	490,229	239,265
Central	1,143	1,143
Operation of Non-Instructional Services	334,331	(18,049)
Extracurricular Activities	164,407	53,031
Interest and Fiscal Charges	27,320	3,846
Total	<u>\$8,133,275</u>	<u>\$6,483,813</u>

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,459,082 and expenditures and other financing uses of \$8,720,956. The significant increase in revenues and other financing sources is due to the proceeds from the sale of bonds and notes of \$10,109,957.

The School District has two major funds; the General Fund and the Classroom Facilities Capital Projects Fund. The General Fund had \$7,170,900 in revenues and \$7,003,083 in expenditures. The General fund balance increased \$81,632. The Classroom Facilities Capital Projects Fund had \$787,571 in revenues and \$331,451 in expenditures. The Classroom Facilities fund balance increased by \$10,241,077 due to the debt issuances for notes and bonds during the fiscal year.

General Fund Budgeting Highlights

The School 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 School District amended its General Fund budget. These amounts were not considered to be significant.

The School District's ending unobligated General Fund balance was \$277,638.

Georgetown Exempted Village School District

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the School District had \$8,352,470 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and library and textbooks. For additional information on capital assets, see Note 12 to the basic financial statements. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$224,937	\$224,937
Construction in Progress	331,451	0
Land Improvements	161,414	171,262
Buildings and Improvements	5,216,403	5,423,796
Furniture and Equipment	1,673,753	1,659,606
Vehicles	254,261	197,353
Library and Textbooks	490,251	473,361
Totals	<u>\$8,352,470</u>	<u>\$8,150,315</u>

Changes in capital assets from the prior year resulted from additions, deletions and current year depreciation.

Debt

At June 30, 2004, the School District had general obligation bonds and bond anticipation notes outstanding of \$10,109,957 and Energy Conservation Bonds outstanding of \$60,000. The bonds were issued for school construction and renovations. For additional information on debt, see Note 13 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Michael Ashmore, Treasurer at Georgetown Exempted Village School District, 1043 Mt. Orab Pike, Georgetown, Ohio 45121.

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Georgetown Exempted Village School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,113,288
Intergovernmental Receivable	16,909,170
Property Taxes Receivable	2,185,508
Nondepreciable Capital Assets	556,388
Depreciable Capital Assets, Net	<u>7,796,082</u>
<i>Total Assets</i>	<u>38,560,436</u>
Liabilities	
Accounts Payable	2,920
Accrued Wages and Benefits Payable	591,967
Intergovernmental Payable	293,806
Matured Compensated Absences Payable	15,111
Deferred Revenue	1,722,179
Long-Term Liabilities:	
Due Within One Year	5,437,936
Due In More Than One Year	<u>5,367,990</u>
<i>Total Liabilities</i>	<u>13,431,909</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,862,879
Restricted for:	
Capital Projects	17,059,838
Debt Service	388,144
Other Purposes	457,281
Unrestricted (Deficit)	<u>(639,615)</u>
<i>Total Net Assets</i>	<u>\$25,128,527</u>

See accompanying notes to the basic financial statements

Georgetown Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities				
Instruction:				
Regular	\$3,617,307	\$188,357	\$102,980	(\$3,325,970)
Special	875,532	73,134	284,314	(518,084)
Vocational	118,108	5,301	0	(112,807)
Other	6,871	2,012	5,294	435
Support Services:				
Pupil	298,675	11,836	56,792	(230,047)
Instructional Staff	340,512	24,084	25,332	(291,096)
Board of Education	292,964	13,584	0	(279,380)
Administration	711,067	33,704	3,942	(673,421)
Fiscal	301,842	13,808	12,186	(275,848)
Operation and Maintenance of Plant	552,967	32,682	21,926	(498,359)
Pupil Transportation	490,229	23,086	227,878	(239,265)
Central	1,143	0	0	(1,143)
Operation of Non-Instructional Services	334,331	98,816	253,564	18,049
Extracurricular Activities	164,407	33,826	77,550	(53,031)
Interest and Fiscal Charges	27,320	663	22,811	(3,846)
Totals	<u>\$8,133,275</u>	<u>\$554,893</u>	<u>\$1,094,569</u>	<u>(6,483,813)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				1,800,727
Classroom Facilities				39,635
Debt Service				343,483
Grants and Entitlements not Restricted to Specific Programs				21,808,289
Gifts and Donations not Restricted to Specific Programs				104,758
Investment Earnings				42,919
Miscellaneous				63,149
Total General Revenues				<u>24,202,960</u>
Change in Net Assets				17,719,147
Net Assets Beginning of Year- Restated, See Note 3				<u>7,409,380</u>
Net Assets End of Year				<u>\$25,128,527</u>

See accompanying notes to the basic financial statements

Georgetown Exempted Village School District

*Balance Sheet
Governmental Funds
June 30, 2004*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$309,264	\$10,241,077	\$562,947	\$11,113,288
Receivables:				
Property Taxes	1,832,999	0	352,509	2,185,508
Intergovernmental	0	16,576,474	332,696	16,909,170
<i>Total Assets</i>	<u>\$2,142,263</u>	<u>\$26,817,551</u>	<u>\$1,248,152</u>	<u>\$30,207,966</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$2,920	\$0	\$0	\$2,920
Accrued Wages and Benefits Payable	551,137	0	40,830	591,967
Matured Compensated Absences Payable	15,111	0	0	15,111
Intergovernmental Payable	98,521	0	5,967	104,488
Deferred Revenue	1,488,187	16,576,474	277,252	18,341,913
<i>Total Liabilities</i>	<u>2,155,876</u>	<u>16,576,474</u>	<u>324,049</u>	<u>19,056,399</u>
Fund Balances				
Reserved for Encumbrances	28,691	5,900	21,512	56,103
Reserved for Property Taxes	288,663	0	77,454	366,117
Unreserved, Undesignated, Reported in:				
General Fund	(330,967)	0	0	(330,967)
Special Revenue Funds	0	0	500,321	500,321
Debt Service Funds	0	0	315,756	315,756
Capital Projects Funds	0	10,235,177	9,060	10,244,237
<i>Total Fund Balances</i>	<u>(13,613)</u>	<u>10,241,077</u>	<u>924,103</u>	<u>11,151,567</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,142,263</u>	<u>\$26,817,551</u>	<u>\$1,248,152</u>	<u>\$30,207,966</u>

See accompanying notes to the basic financial statements

Georgetown Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances		\$ 11,151,567
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,352,470
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	24,693	
Intergovernmental	<u>16,595,041</u>	
Total		16,619,734
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(189,318)
Long-Term Liabilities, including bonds, notes, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(531,378)	
General Obligation Bonds, Energy Conservation Notes, and Capital Lease Obligations	<u>(10,274,548)</u>	
Total		<u>(10,805,926)</u>
Net Assets of Governmental Activities		<u><u>\$ 25,128,527</u></u>

See accompanying notes to the basic financial statements

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

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$1,796,984	\$0	\$382,745	\$2,179,729
Intergovernmental	4,866,356	755,311	588,818	6,210,485
Investment Earnings	9,968	32,260	691	42,919
Charges for Services	0	0	170,624	170,624
Tuition and Fees	331,328	0	0	331,328
Extracurricular Activities	0	0	52,941	52,941
Gifts and Donations	104,758	0	107,006	211,764
Miscellaneous	61,506	0	1,643	63,149
<i>Total Revenues</i>	<u>7,170,900</u>	<u>787,571</u>	<u>1,304,468</u>	<u>9,262,939</u>
Expenditures				
Current:				
Instruction:				
Regular	3,348,094	0	137,604	3,485,698
Special	700,880	0	113,910	814,790
Vocational	111,881	0	0	111,881
Other	0	0	6,871	6,871
Support Services:				
Pupil	211,769	0	73,706	285,475
Instructional Staff	274,396	0	28,539	302,935
Board of Education	292,543	0	0	292,543
Administration	589,400	0	5,000	594,400
Fiscal	287,709	0	8,326	296,035
Operation and Maintenance of Plant	555,383	0	28,073	583,456
Pupil Transportation	517,695	0	965	518,660
Central	1,156	0	0	1,156
Operation of Non-Instructional Services	0	0	290,873	290,873
Extracurricular Activities	75,137	0	98,930	174,067
Capital Outlay	0	331,451	12,890	344,341
Debt Service:				
Principal	24,270	0	480,000	504,270
Interest and Fiscal Charges	12,770	0	14,550	27,320
<i>Total Expenditures</i>	<u>7,003,083</u>	<u>331,451</u>	<u>1,300,237</u>	<u>8,634,771</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>167,817</u>	<u>456,120</u>	<u>4,231</u>	<u>628,168</u>
Other Financing Sources (Uses)				
Transfers In	0	0	86,186	86,186
Proceeds from Sale of Bonds	0	4,896,630	0	4,896,630
Proceeds from Sale of Notes	0	4,888,327	325,000	5,213,327
Transfers Out	(86,185)	0	0	(86,185)
<i>Total Other Financing Sources (Uses)</i>	<u>(86,185)</u>	<u>9,784,957</u>	<u>411,186</u>	<u>10,109,958</u>
<i>Net Change in Fund Balances</i>	81,632	10,241,077	415,417	10,738,126
<i>Fund Balances Beginning of Year-Restated, See Note 3</i>	<u>(95,245)</u>	<u>0</u>	<u>508,686</u>	<u>413,441</u>
<i>Fund Balances End of Year</i>	<u>(\$13,613)</u>	<u>\$10,241,077</u>	<u>\$924,103</u>	<u>\$11,151,567</u>

See accompanying notes to the basic financial statements

Georgetown Exempted Village 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, 2004*

Net Change in Fund Balances - Total Governmental Funds \$ 10,738,126

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

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

Capital Asset Additions	546,278	
Current Year Depreciation	(300,262)	
Total	246,016	246,016

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.

Loss on Disposal of Capital Assets	(43,861)	
Total	(43,861)	(43,861)

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

Taxes	4,116	
Intergovernmental	16,585,367	
Total	16,589,483	16,589,483

Proceeds from the sale of bonds in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (4,896,630)

Proceeds from the sale of notes in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (5,213,327)

Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

Bond and Note Principal Payments	480,000	
Capital Lease Principal Payments	24,270	
Total	504,270	504,270

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.

Increase in Compensated Absences	(83,054)	
Increase in Intergovernmental Payable	(121,876)	
Total	(204,930)	(204,930)

Net Change in Net Assets of Governmental Activities \$ 17,719,147

See accompanying notes to the basic financial statements

Georgetown Exempted Village School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property and Other Local Taxes	\$1,592,706	\$1,656,649	\$1,656,649	\$0
Intergovernmental	4,741,496	4,850,126	4,901,119	50,993
Interest	10,963	9,968	9,968	0
Tuition and Fees	210,606	331,328	331,328	0
Gifts and Donations	6,689	104,758	104,758	0
Miscellaneous	41,897	37,509	43,652	6,143
Total Revenues	6,604,357	6,990,338	7,047,474	57,136
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,250,310	3,352,629	3,301,512	51,117
Special	623,372	696,959	696,961	(2)
Vocational	116,274	112,521	112,521	0
Support Services:				
Pupils	216,138	212,972	212,972	0
Instructional Staff	297,464	281,000	281,000	0
Board of Education	294,844	299,720	299,719	1
Administration	578,405	595,039	595,040	(1)
Fiscal	278,312	288,464	288,464	0
Operation and Maintenance of Plant	565,502	568,119	568,119	0
Pupil Transportation	492,547	467,906	518,900	(50,994)
Central	878	1,170	1,170	0
Extracurricular Activities	75,134	76,500	76,501	(1)
Total Expenditures	6,789,180	6,952,999	6,952,879	120
Excess of Revenues Over (Under) Expenditures	(184,823)	37,339	94,595	474,231
OTHER FINANCING SOURCES AND USES:				
Transfers In	25,673	170,853	0	(170,853)
Advances In	0	0	57,360	57,360
Refund of Prior Year Expenditures	0	200	200	0
Transfers Out	(10,820)	(160,312)	(86,185)	74,127
Advances Out	0	0	(57,360)	(57,360)
Other Financing Uses	0	(17,645)	0	17,645
Total Other Financing Sources and Uses	14,853	(6,904)	(85,985)	(79,081)
Net Change in Fund Balances	(169,970)	30,435	8,610	(21,825)
Fund Balance (Deficit) at Beginning of Year	229,569	229,569	229,569	0
Prior Year Encumbrances Appropriated	39,474	39,474	39,474	0
Fund Balance (Deficit) at End of Year	\$99,073	\$299,478	\$277,653	(\$21,825)

See accompanying notes to the basic financial statements

Georgetown Exempted Village School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$47,974</u>
Liabilities	
Undistributed Monies	<u>47,974</u>
Total Liabilities	<u>\$47,974</u>

See accompanying notes to the basic financial statements

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Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Georgetown Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of 60 square miles. It is located in Brown County and includes all of the Village of Georgetown, Ohio, and portions of surrounding townships. The Board of Education controls the School District's two instructional support facilities staffed by 46 non-certificated and 76 teaching personnel and administrative employees providing education to 1,138 students.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Georgetown Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

Entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District. These entities include the Boosters Club, Parent Teacher Organizations, and Alumni Associations.

The School District is associated with three organizations, one as a jointly governed organization, one as an insurance purchasing pool, and one as a public entity shared risk and insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Brown County Schools Benefits Consortium. These organizations are presented in Notes 14, 15 and 16 to the basic financial statements.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

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

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 the fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function 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. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-Major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. All funds of the School District fall within two categories: governmental and fiduciary.

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

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classroom Facilities Fund The Classroom Facilities fund is a fund provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of classroom facilities.

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2004, the School District's investments were limited to certificates of deposit, U.S. Government Securities, repurchase agreements and funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). 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. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2004 amounted to \$9,968. The classroom facilities major fund and other governmental funds received interest in the amounts of \$32,260 and \$691, respectively.

For purposes of presentation on the financial statement, investments of the cash management pool are considered to be cash equivalents.

G. Capital Assets and Depreciation

The School District's only capital assets are general assets. General capital assets are those assets specifically related governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	5-15 years
Buildings and Improvements	10-35 years
Furniture and Equipment	5 – 20 years
Vehicles	3-25 years
Library and Textbooks	3-10 years

H. Interfund Transactions

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

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

Vacation leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

K. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, and debt service. The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute. The reserve for debt service represents the amount of bond anticipation notes payable required to be paid from the classroom facilities fund which are not available for capital projects.

L. Estimates

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

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. However, the unexpended proceeds of such borrowings are not used to reduce the net assets invested in capital assets balance. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, federal and state grants restricted to expenditures for specified purposes and statutory reserves.

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/NET ASSETS

For the Fiscal year 2004, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements.” GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosure. GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

For the fiscal year 2004, the District has also implemented Governmental Accounting Standards Board (GASB) Statement No. 39, “Determining Whether Certain Organizations are Component Units,” and GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”. GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government. The implementation of GASB Statement Nos. 39 and 41 had no effect on the School District.

The District reclassified its food service fund activity from an enterprise fund to a special revenue fund. The District has eliminated reporting consumable inventory due to materiality.

The implementation of these Statements requires certain adjustments be recorded to the June 30, 2003 fund balances of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/NET ASSETS (Continued)

	General	Classroom Facilities	Non-Major	Total
Fund Balances, June 30, 2003	(123,297)	0	532,305	409,008
Capital Assets from Food Service not reported in fund financial statements	0	0	(45,385)	(45,385)
Reclassification of Food Service	0	0	11,363	11,363
Intergovernmental Payables	10,528	0	659	11,187
Inventory Elimination	0	0	144	144
Interpretation 6 Adjustments	17,524	0	9,600	27,124
Restated Fund Balances, June 30, 2003	(95,245)	0	508,686	413,441
GASB 34 Adjustments:				
Compensated Absences				(448,324)
Capital Assets				8,150,315
Deferred Revenue				30,252
Intergovernmental Payable				(67,443)
Capital Leases				(128,861)
Long Term Bonds and Loan				(540,000)
Restated Net Assets, June 30, 2003				7,409,380

	Food Service Enterprise Fund
Fund Equity, June 30, 2003	\$11,363
Fund Reclassification	(11,363)
Restated Fund Equity, June 30, 2003	\$0

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

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

General Fund	\$(13,613)
Special Revenue Funds	
Food Service	(25,728)

The deficits in all of the above listed funds do not exist on the cash basis and are the result of applying accounting principles generally accepted in the United States of America and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

B. Compliance

Expenditures were not always certified by the Treasurer prior to incurring the obligation. The annual financial report was filed late and the GAAP report and records were provided for audit late.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures(budget basis) rather than as a reservation of fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General
GAAP Basis	\$81,632
Adjustments:	
Revenue Accruals	(123,226)
Expenditure Accruals	81,816
Encumbrances	(31,612)
Budget Basis	\$(8,610)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of the purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$269,012 and the bank balance was \$412,648.

- (1) \$134,000 was covered by federal depository insurance.
- (2) \$278,648 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Carrying Value	Fair Value
STAR Ohio	\$0	\$0	\$575,543	\$575,543
U.S. Government Securities	9,438,439	0	9,438,439	9,372,117
Repurchase Agreements	0	878,268	878,268	878,268
Total	\$9,438,439	\$878,268	\$10,892,250	\$10,825,928

A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
Financial Statements	\$11,161,262	\$0
Investments:		
STAR Ohio	(575,543)	575,543
U.S. Government Securities	(9,438,439)	9,438,439
Repurchase Agreements	(878,268)	878,268
<i>GASB Statement No. 3</i>	<u>\$269,012</u>	<u>\$10,892,250</u>

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 7 - 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 located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2004 real property taxes are collected in and intended to finance fiscal year 2005. Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$75,093,350	88.39%	\$82,616,080	89.31%
Public Utility	3,529,790	4.15%	3,554,280	3.84%
Tangible Personal Property	6,335,796	7.46%	6,333,127	6.85%
Total Assessed Value	<u>\$84,958,936</u>	<u>100.00%</u>	<u>\$92,503,487</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$27.00		\$27.00	

Manufactured Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the title: (1) ninety-five percent unfurnished or (2) eighty percent furnished with a five percent drop each year.

The School District receives property taxes from Brown 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 counties 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.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 7 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004 was \$245,372 in the General Fund and \$21,751 in the other governmental funds.

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The School 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. For the fiscal year 2004, the School District contracted with Selective Insurance Company for property insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Selective Insurance Company covers the boiler and machinery with a \$2,500 deductible and a \$15,242,731 limit.

Professional liability is protected by The Selective Insurance Company with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate and no deductible. Vehicles are covered by the Indiana Insurance Company and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from the last fiscal year.

B. Worker's Compensation

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 16) consisting of seven districts. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions and all claims of its employees from the date of termination regardless of the date such claims were incurred.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contributions is used to fund pension obligations, with the remainder being used to fund healthcare benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan member and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$122,222, \$108,013, and \$29,882, respectively; 37 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$77,305 represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614)227-4090.

New members have a choice of three retirement plans, a Defined Benefits (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent for 2004 percent of their annual covered salary and the School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$474,927, \$459,153, and \$309,285, respectively; 86 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$68,643 represents the unpaid contribution for fiscal year 2004.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$35,194 during fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount to fund health care benefits, including the surcharge, equaled \$126,333 during the 2004 fiscal year.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year-ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 for certified and 183 for non-certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for classified and certified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Jefferson Pilot. The School District has elected to provide employee medical/surgical benefits through the Brown County Benefits Consortium in which health insurance premiums were paid to Medical Mutual. Dental insurance is provided by the School District to all employees through CoreSource.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 12 - CAPITAL ASSETS

A summary of the District's capital assets at June 30, 2004, follows:

	*Restated Balance 6/30/2003	Additions	Deductions	Balance 6/30/2004
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$224,937	\$0	\$0	\$224,937
Construction in Progress	0	331,451	0	331,451
Total Capital Assets not being Depreciated	224,937	331,451	0	556,388
Depreciable Capital Assets:				
Land Improvements	646,248	0	0	646,248
Buildings and Improvements	9,362,536	4,900	0	9,367,436
Furniture and Equipment	3,041,749	64,071	(58,348)	3,047,472
Library and Textbooks	780,523	40,122	0	820,645
Vehicles	487,224	105,734	(23,011)	569,947
Total Capital Assets being Depreciated	14,318,280	214,827	(81,359)	14,451,748
Less Accumulated Depreciation				
Land Improvements	(474,986)	(9,848)	0	(484,834)
Buildings and Improvements	(3,938,740)	(212,293)	0	(4,151,033)
Furniture and Equipment	(1,382,143)	(28,461)	36,885	(1,373,719)
Library and Textbooks	(307,162)	(23,232)	0	(330,394)
Vehicles	(289,871)	(26,428)	613	(315,686)
Total Accumulated Depreciation	(6,392,902)	(300,262)**	37,498	(6,655,666)
Total Capital Assets being Depreciated, Net	7,925,378	(85,435)	(43,861)	7,796,082
Capital Assets, Net	\$8,150,315	\$246,016	(\$43,861)	\$8,352,470

* See Note 3 for Restatement

** Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$249,266
Support Services:	
Instructional Staff	10,278
Administration	9,135
Fiscal	149
Operation and Maintenance of Plant	1,207
Pupil Transportation	25,005
Operation of Non-Instructional Services	5,222
Total Depreciation Expense	\$300,262

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 13 – DEBT OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2004 were as follows:

	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Due in One Year
School Improvement Tax Anticipation Note – 5.25%	\$450,000	\$325,000	\$450,000	\$325,000	\$325,000
Energy Conservation Bonds - 1996 5.65%	90,000	0	30,000	60,000	30,000
Classroom Facilities Bonds - 2004 5.13%	0	4,896,630	0	4,896,630	150,000
Classroom Facilities Bond Anticipation Notes - 2004 6.00%	0	4,888,327	0	4,888,327	4,888,327
Capital Leases	128,861	0	24,270	104,591	22,863
Compensated Absences*	448,324	531,378	448,324	531,378	21,746
Total Long-Term Obligations	\$1,117,185	\$10,641,335	\$952,594	\$10,805,926	\$5,437,936

* As restated – See note 3 of the basic financial statements.

Bond Anticipation Note

During fiscal year 2004, the School District issued a one-year \$325,000 bond anticipation note for the purpose of implementing energy conservation measures at various School District buildings. This note will be repaid with tax revenue. This note is backed by the full faith and credit of the School District.

House Bill 464 Energy Bond

On June 1, 1996, the Georgetown Exempted Village School District issued \$300,000 in unvoted general obligation bonds for the purpose of implementing energy conservation measures at various School District buildings. The bonds were issued for a 10 year period with a final maturity date of June 1, 2006.

Classroom Facilities Notes

On January 16, 2004, the Georgetown Exempted Village School District issued \$4,888,327 in notes in anticipation of the proceeds to be received from general obligation bonds to be issued by the District. These notes were paid off in August 2004 with the proceeds from the classroom facilities bonds issued in May 2004, so they are classified as long term debt in the statement of net assets.

Classroom Facilities Bond

On May 26, 2004, the Georgetown Exempted Village School District issued \$4,887,998 in unvoted general obligation bonds for the purpose of constructing a new elementary school to house grades PK thru 6, renovations and additions to Georgetown Jr/Sr High School that houses grades 7 thru 12 and to abandon Alverda Reed Elementary School. The bonds were issued for a 27 year period with a final maturity date of December 1, 2031.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees’ salaries are paid. Capital lease obligations will be paid from the General Fund.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 13 – DEBT OBLIGATIONS (Continued)

The School District’s voted legal debt margin was \$3,368,684 with an unvoted debt margin of \$92,503 at June 30, 2004.

Principal and interest requirements to retire general obligation debt at June 30, 2004 are as follows:

Fiscal Year	Principal	Interest	Total
Ending			
2005	5,393,327	109,362	5,502,689
2006	130,000	210,639	340,639
2007	125,000	206,944	331,944
2008	125,000	203,819	328,819
2009	125,000	200,069	325,069
2010-2014	511,052	1,122,604	1,633,656
2015-2019	705,578	964,611	1,670,189
2020-2024	975,000	671,120	1,646,120
2025-2029	1,205,000	414,364	1,619,364
2030-2031	875,000	91,482	966,482
	<u>10,169,957</u>	<u>4,195,014</u>	<u>14,364,971</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$33,782 for services provided during the year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

NOTE 15 - INSURANCE PURCHASING POOL

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

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 16 - PUBLIC ENTITY SHARED RISK POOL

Brown County Schools Benefits Consortium - The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide health insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern Brown, Fayetteville-Perry, Georgetown, Ripley-Union-Lewis-Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the consortium are to formulate and administer a program of health and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with Medical Mutual of Ohio to provide medical insurance directly to consortium member employees. The School District pays premiums to the consortium based on employee membership. For dental coverage, the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, CoreSource. Participating member district's pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition
	<u> </u>	<u> </u>
Set-aside Cash Balance as of June 30, 2003	\$0	\$0
Current year set-aside requirement	156,198	156,198
Current year offsets & Pr. Yr. Carry Over	(152,590)	0
Qualifying disbursements	<u>(187,493)</u>	<u>(159,037)</u>
Set-aside Balance Carried Forward to Future Years where allowable	<u>(\$183,885)</u>	<u>(\$2,839)</u>
Set-aside Reserve Balance as of June 30, 2004	<u> \$0</u>	<u> \$0</u>

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks and Capital Acquisition Reserves. These extra amounts may be carried forward in the Textbooks Reserve and used in the Textbooks Reserve to reduce the set-aside requirements of future years. The extra amount may not be carried forward in the Capital Acquisition Reserve to reduce the set aside requirement for future years.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 18 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State's compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

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

NOTE 19 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 School District at June 30, 2004.

Litigation:

There are currently no matters in litigation with the School District as a defendant.

NOTE 20 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Classroom Facilities Major Fund	\$16,576,474
<i>Non-Major Special Revenue Funds:</i>	
Student Intervention	18,567
Innovative Programs	5,031
Title I	147,792
Safe and Drug Free Schools	4,126
Improving Teacher Quality	43,623
Title II-D	4,479
Title VI-B	<u>109,078</u>
Total Special Revenues	<u>332,696</u>
Total All Funds	<u>\$16,909,170</u>

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 21 – INTERFUND ACTIVITY

The transfers were made from the General Fund (a major fund) to provide support for operating activities of several of the district’s funds. Transfers were made to the General fund from several grant funds special cost centers that were no longer being utilized.

Fund	Transfer In	Transfer Out
<i>Major Funds</i>		
General Fund	\$0	86,184
<i>Non-Major Special Revenue Funds</i>		
Food Service	35,114	0
Title I	15,985	0
Total Non-Major Special Revenue Funds	51,099	0
Debt Service	35,085	0
Total Transfers In/Out	\$86,184	\$86,184

NOTE 22 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a previous fiscal year, the School District entered into a capital lease for copier. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized and a corresponding liability in the statement of net assets in the amount of \$134,100. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2004 totaled \$24,270 in the governmental funds.

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

Year Ending June 30,	Long-Term Debt
2005	34,188
2006	34,188
2007	34,188
2008	22,802
Total Minimum Lease Payments	125,366
Less: Amount Representing Interest	(20,775)
Present Value of Minimum Lease Payments	\$ 104,591



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Georgetown Exempted Village School District
Brown County
1043 Mt. Orab Pike
Georgetown, Ohio 45121

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 Georgetown Exempted Village School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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 in order to express our opinion on the basic financial statements and not to opine provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that misstatements in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 18, 2005.

Compliance

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated October 18, 2005.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 18, 2005

**GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
BROWN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004**

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

FINDING NUMBER 2004-001

Material Noncompliance

Ohio Revised Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal year 2004, 28% of the expenditures tested were not certified by the Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in noncompliance. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. The Treasurer should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

FINDING NUMBER 2004-002

Material Noncompliance

Ohio Revised Code, Section 117.38, requires GAAP basis entities to file their annual reports with the Auditor of State within 150 days of the fiscal year end. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The District did not file their annual report with the Auditor of State until January 31, 2005. The District's GAAP report was not provided for audit until July 14, 2005. Additionally, Ohio Revised Code Section 117.41, outlines the determination of unauditible financial records. The financial statements prepared in accordance with GAAP (including footnotes and MD&A), the GAAP trial balances and the GAAP folder information to support the GAAP adjusting entries were not provided for audit. On May 5, 2005, the District was declared unauditible by the Auditor of State. The District was given ninety days to bring their accounts, records and reports into an auditible condition or legal action could result pursuant to Ohio Rev. Code Section 117.42. The financial statements and records were provided for audit on July 14, 2005, which was within the ninety day deadline.

FINDING NUMBER 2004-003

Reportable Condition

Accurate and timely reconciliations between book and bank balances are a basic and important internal control. It reduces the risk that errors, theft or fraud may occur and not be detected in a timely manner. Reconciliations are also an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution.

The District's cash reconciliations for the audit period ending June 30, 2004 were not provided for audit until April 8, 2005. The June 30, 2004 reconciliation includes \$335 in identified adjustments that had not been corrected and a \$97 unexplained variance. The District's June 30, 2004 outstanding checks list certain checks that are older than six months. Some outstanding checks are ten years old. This can cause the outstanding check list to become cumbersome and hamper reconciliation efforts.

We recommend that accurate and timely reconciliations be performed monthly by the District's Treasurer. Additionally, the monthly reconciliations should be provided to the Board for their review. This can help to hinder any misappropriations of funds and detect any errors which may have occurred on the books or by the bank. These errors can then be immediately identified and corrected. We also recommend that the District review the stale outstanding checks and handle them in accordance with MAS Bulletin Number 91-11.



**Auditor of State
Betty Montgomery**

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GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT

BROWN 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
NOVEMBER 10, 2005**