



**Auditor of State
Betty Montgomery**

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - June 30, 2004	10
Statement of Activities - For the Fiscal Year Ended June 30, 2004	11
Balance Sheet – Governmental Funds - June 30, 2004.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - June 30, 2004	13
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds - For the Fiscal Year Ended June 30, 2004	14
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds to the Statement of Activities – For the Fiscal Year Ended June 30, 2004.....	15
Statement of Fiduciary Net Assets and Liabilities - Agency Fund - June, 30, 2004	16
Notes to the Basic Financial Statements	17
Required Supplementary Information – Schedule of Revenues, Expenditures and Changes In Fund Balances Budget and Actual (Non-GAAP Budgetary Basis) – General Fund For the Fiscal Year Ended June 30, 2004	42
Notes to the Required Supplementary Information.....	43
Schedule of Federal Awards Expenditures – For the Fiscal Year Ended June 30, 2004.....	45
Notes to the Schedule of Federal Awards Expenditures	46
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	49
Schedule of Findings.....	51

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Northmont City School District
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45322

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

February 25, 2005

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

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

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

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets increased \$2,472,321 which represents a 37% increase from 2003.
- General revenues accounted for \$42,223,257 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,494,156 or 12% of total revenues of \$47,717,413.
- Total assets of governmental activities increased by \$6,271,080 as taxes receivable increased by \$2,124,441 while cash and other receivables increased by \$1,999,170.
- The District had \$45,245,092 in expenses related to governmental activities; only \$5,494,156 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$42,223,257 were not adequate to provide for these programs.
- As the major fund, the General Fund had \$40,820,807 in revenues and \$39,803,456 in expenditures. The General Fund's balance increased from \$2,257,370 to \$3,235,721.

Using this Basic Financial Statement 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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* 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.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the overall financial position of the District is presented in the following manner:

- Governmental Activities – All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

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

The District as a Whole

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

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

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2004</u>
Assets		
Current and Other Assets	\$26,115,133	\$30,238,744
Capital Assets	<u>4,352,367</u>	<u>6,499,836</u>
Total Assets	<u>30,467,500</u>	<u>36,738,580</u>
Liabilities		
Long-Term Liabilities	4,430,874	3,618,568
Other Liabilities	<u>22,537,386</u>	<u>23,942,809</u>
Total Liabilities	<u>26,968,260</u>	<u>27,561,377</u>
Net Assets		
Invested in Capital		
Assets Net of Debt	2,766,082	5,882,096
Restricted	1,205,083	1,010,865
Unrestricted	<u>(471,925)</u>	<u>2,284,242</u>
Total Net Assets	<u>\$3,499,240</u>	<u>\$9,177,203</u>

Total assets increased \$6,271,080. Equity in pooled cash and cash equivalents increased \$1,914,174. Taxes receivable increased \$2,124,441. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. Total liabilities increased \$593,117, resulting in a net asset increase of \$2,472,321.

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

Table 2 shows the change in net assets for fiscal year 2003 compared to fiscal year 2004.

Table 2
Changes in Net Assets

	Governmental Activities	
	<u>2003</u>	<u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,088,836	\$3,311,189
Operating Grants	2,249,982	2,154,732
Capital Grants	<u>51,392</u>	<u>28,235</u>
Total Program Revenues	<u>3,390,210</u>	<u>5,494,156</u>
General Revenue:		
Income Taxes	0	33,741
Property Taxes	16,472,609	19,804,592
Grants and Entitlements	19,742,882	22,073,723
Other	<u>2,537,896</u>	<u>311,201</u>
Total General Revenue	<u>38,753,387</u>	<u>42,223,257</u>
Total Revenues	<u>42,143,597</u>	<u>47,717,413</u>
Program Expenses:		
Instruction	25,436,943	27,014,084
Support Services:		
Pupil and Instructional Staff	3,474,803	4,005,150
General and School Administrative, Fiscal and Business	4,630,675	4,673,976
Operations and Maintenance	3,053,853	3,223,867
Pupil Transportation	1,864,006	1,914,658
Central	420,814	454,842
Operation of Non-Instructional Services	2,576,989	2,727,532
Extracurricular Activities	1,034,163	1,150,072
Interest and Fiscal Charges	<u>99,824</u>	<u>80,911</u>
Total Expenses	<u>42,592,070</u>	<u>45,245,092</u>
Increase (Decrease) in Net Assets	<u>(\$448,473)</u>	<u>\$2,472,321</u>

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

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 88% of the District's revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 42% of revenue for governmental activities for the District in fiscal year 2004.

Instruction comprises 60% of governmental program expenses. Support services expenses were 32% of governmental program expenses. Support services and instruction expenses increased due to an increase in wages. All other expenses and interest expense was 8%. Interest expense was attributable to the outstanding bond and borrowing for capital projects. Income tax revenue increased due to the receipt from the City. Property tax revenue increased due to additional amounts available for advance at June 30, 2004.

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

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Instruction	\$25,436,943	\$27,014,084	(\$23,496,377)	(\$25,232,369)
Support Services:				
Pupil and Instructional Staff	3,474,803	4,005,150	(3,293,639)	(3,783,126)
Board, Administration, Fiscal and Business	4,630,675	4,673,976	(4,508,298)	(4,535,983)
Operations and Maintenance	3,053,853	3,223,867	(3,032,179)	(3,204,478)
Pupil Transportation	1,864,006	1,914,658	(1,812,568)	(1,884,370)
Central	420,814	454,842	(400,458)	(433,893)
Operation of Non-Instructional Services	2,576,989	2,727,532	(1,645,769)	41,165
Extracurricular Activities	1,034,163	1,150,072	(912,748)	(636,971)
Interest and Fiscal Charges	<u>99,824</u>	<u>80,911</u>	<u>(99,824)</u>	<u>(80,911)</u>
 Total Expenses	 <u>\$42,592,070</u>	 <u>\$45,245,092</u>	 <u>(\$39,201,860)</u>	 <u>(\$39,750,936)</u>

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

The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$45,880,264 and expenditures and other financing uses of \$44,991,719. The net change in fund balance for the year was \$810,545 or 23%. The General Fund balance increased \$978,351 due to an increase in intergovernmental revenue and interest revenue.

General Fund Budgeting Highlights

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

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

For the General Fund, budget basis revenue was \$41,246,196, above original budget estimates of \$40,256,000. Of this \$990,196 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$2,069,933 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$6,499,836 invested in land, buildings, and equipment. Table 4 shows fiscal 2004 balances compared to fiscal 2003:

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

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2004</u>
Land	\$901,562	\$901,562
Buildings and Improvements	1,884,400	3,070,417
Furniture, Equipment and Vehicles	<u>1,566,405</u>	<u>2,527,857</u>
 Total Net Assets	 <u>\$4,352,367</u>	 <u>\$6,499,836</u>

The increase in capital assets is due to \$231,491 in building and improvements and equipment additions, \$235,239 in building and improvements and equipment deletions offset by the recognition of \$1,250,141 in depreciation. This District continues its ongoing commitment to maintaining and improving its capital assets.

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

Debt

At June 30, 2004, the District had \$876,707 in bonds, notes and capital leases payable, \$343,990 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2004</u>
Bonds Payable:		
School Improvement Bonds	\$335,000	<u>\$0</u>
Subtotal Bonds Payable	335,000	0
Notes Payable:		
Energy Conservation Notes	<u>160,000</u>	<u>110,000</u>
Subtotal Notes Payable	160,000	110,000
Capital Leases Payable		
Capital Leases	<u>1,091,285</u>	<u>766,707</u>
Subtotal Capital Leases Payable	<u>1,091,285</u>	<u>766,707</u>
Total Outstanding Debt at Year End	<u>\$1,586,285</u>	<u>\$876,707</u>

For the Future

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

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandy Harris, Treasurer at Northmont City School District, 4001 Old Salem Road, Englewood, Ohio 45322. Or E-mail sharris@northmont.k12.oh.us.

Northmont City School District
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$9,062,937
Receivables:	
Taxes	21,067,988
Intergovernmental	107,819
Nondepreciable Capital Assets	901,562
Depreciable Capital Assets, Net	<u>5,598,274</u>
 Total Assets	 <u>36,738,580</u>
Liabilities:	
Accounts Payable	792,015
Accrued Wages and Benefits	4,724,662
Accrued Interest Payable	5,624
Deferred Revenue	18,420,508
Long-Term Liabilities:	
Due Within One Year	915,941
Due In More Than One Year	<u>2,702,627</u>
 Total Liabilities	 <u>27,561,377</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,882,096
Restricted for:	
Special Revenue	529,144
Debt Service	115,619
Capital Projects	366,102
Unrestricted	<u>2,284,242</u>
 Total Net Assets	 <u>\$9,177,203</u>

See accompanying notes to the Basic Financial Statements.

Northmont City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$19,874,277	\$497,448	\$235,836	\$0	(\$19,140,993)
Special	6,808,621	42,739	1,005,692	0	(5,760,190)
Vocational	324,974	0	0	0	(324,974)
Other	6,212	0	0	0	(6,212)
Support Services:					
Pupil	3,144,695	0	145,318	0	(2,999,377)
Instructional Staff	860,455	0	76,706	0	(783,749)
General Administration	66,092	0	0	0	(66,092)
School Administration	3,005,867	0	137,993	0	(2,867,874)
Fiscal	768,158	0	0	0	(768,158)
Business	833,859	0	0	0	(833,859)
Operations and Maintenance	3,223,867	19,389	0	0	(3,204,478)
Pupil Transportation	1,914,658	240	1,813	28,235	(1,884,370)
Central	454,842	0	20,949	0	(433,893)
Operation of Non-Instructional Services	2,727,532	2,239,061	529,636	0	41,165
Extracurricular Activities	1,150,072	512,312	789	0	(636,971)
Interest and Fiscal Charges	80,911	0	0	0	(80,911)
Total Governmental Activities	45,245,092	3,311,189	2,154,732	28,235	(39,750,936)
Totals	\$45,245,092	\$3,311,189	\$2,154,732	\$28,235	(\$39,750,936)

General Revenues:	
Income Taxes	33,741
Property Taxes Levied for:	
General Purposes	19,704,151
Debt Service Purposes	22,361
Capital Projects Purposes	78,080
Grants and Entitlements not Restricted to Specific Programs	22,073,723
Unrestricted Contributions	177
Investment Earnings	74,626
Other Revenues	236,398
Total General Revenues and Transfers	42,223,257
Change in Net Assets	2,472,321
Net Assets Beginning of Year	6,704,882
Net Assets End of Year	\$9,177,203

See accompanying notes to the Basic Financial Statements.

Northmont City School District
 Balance Sheet
 Governmental Funds
 June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$7,689,040	\$1,373,897	\$9,062,937
Receivables:			
Taxes	21,034,247	33,741	21,067,988
Intergovernmental	0	107,819	107,819
Interfund	46,734	0	46,734
Total Assets	28,770,021	1,515,457	30,285,478
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	749,972	42,043	792,015
Accrued Wages and Benefits	4,078,180	246,714	4,324,894
Compensated Absences	443,232	1,592	444,824
Interfund Payable	0	46,734	46,734
Deferred Revenue	20,262,916	33,741	20,296,657
Total Liabilities	25,534,300	370,824	25,905,124
Fund Balances:			
Reserved for Encumbrances	1,089,129	117,077	1,206,206
Reserved for Property Tax Advances	771,331	0	771,331
Unreserved, Undesignated, Reported in:			
General Fund	1,375,261	0	1,375,261
Special Revenue Funds	0	600,768	600,768
Debt Service Funds	0	115,619	115,619
Capital Projects Funds	0	311,169	311,169
Total Fund Balances	3,235,721	1,144,633	4,380,354
Total Liabilities and Fund Balances	\$28,770,021	\$1,515,457	\$30,285,478

See accompanying notes to the Basic Financial Statements.

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

Total Governmental Fund Balance		\$4,380,354
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.		6,499,836
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income Taxes	33,741	
Delinquent Property Taxes	<u>1,842,408</u>	
		1,876,149
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(5,624)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Pension Obligation	(399,768)	
Compensated Absences	<u>(2,297,037)</u>	
		(2,696,805)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(876,707)</u>
Net Assets of Governmental Activities		<u>\$9,177,203</u>

See accompanying notes to the Basic Financial Statements.

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$17,861,744	\$100,441	\$17,962,185
Tuition and Fees	494,021	45,506	539,527
Investment Earnings	67,554	7,072	74,626
Intergovernmental	22,365,420	1,891,272	24,256,692
Extracurricular Activities	0	540,004	540,004
Charges for Services	0	2,212,269	2,212,269
Other Revenues	32,068	223,893	255,961
Total Revenues	40,820,807	5,020,457	45,841,264
Expenditures:			
Current:			
Instruction:			
Regular	19,198,491	253,814	19,452,305
Special	5,971,348	824,024	6,795,372
Vocational	322,747	0	322,747
Other	6,212	0	6,212
Support Services:			
Pupil	2,988,613	135,443	3,124,056
Instructional Staff	481,164	84,071	565,235
General Administration	65,443	0	65,443
School Administration	2,884,190	129,072	3,013,262
Fiscal	768,112	167	768,279
Business	831,966	0	831,966
Operations and Maintenance	3,241,090	0	3,241,090
Pupil Transportation	1,687,740	2,437	1,690,177
Central	374,460	35,455	409,915
Operation of Non-Instructional Services	0	2,665,008	2,665,008
Extracurricular Activities	460,020	681,583	1,141,603
Capital Outlay	141,649	5,734	147,383
Debt Service:			
Principal Retirement	333,608	375,970	709,578
Interest and Fiscal Charges	46,603	34,485	81,088
Total Expenditures	39,803,456	5,227,263	45,030,719
Excess of Revenues Over (Under) Expenditures	1,017,351	(206,806)	810,545
Other Financing Sources (Uses):			
Transfers In	0	39,000	39,000
Transfers (Out)	(39,000)	0	(39,000)
Total Other Financing Sources (Uses)	(39,000)	39,000	0
Net Change in Fund Balance	978,351	(167,806)	810,545
Fund Balance Beginning of Year	2,257,370	1,312,439	3,569,809
Fund Balance End of Year	\$3,235,721	\$1,144,633	\$4,380,354

See accompanying notes to the Basic Financial Statements.

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

Net Change in Fund Balance - Total Governmental Funds \$810,545

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

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

Capital assets used in governmental activities	231,491	
Depreciation Expense	<u>(1,250,141)</u>	(1,018,650)

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. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.

(39,523)

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

Income Taxes	33,741	
Delinquent Property Taxes	<u>1,842,408</u>	1,876,149

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

709,578

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

177

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

Pension Obligation	32,951	
Compensated Absences	<u>101,094</u>	134,045

Change in Net Assets of Governmental Activities \$2,472,321

See accompanying notes to the Basic Financial Statements.

Northmont City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$106,563</u>
Total Assets	<u>\$106,563</u>
Liabilities:	
Accounts Payable	6,315
Other Liabilities	<u>100,248</u>
Total Liabilities	<u>\$106,563</u>

See accompanying notes to the Basic Financial Statements.

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

1. DESCRIPTION OF THE DISTRICT

Northmont City 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 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 44 square miles. It is located in Montgomery County, and includes all of the Cities of Clayton, Union and Englewood and the Village of Phillipsburg and Clay Township. The School District is the 58th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 312 non-certificated employees, 362 certificated employees, including 24 administrative employees who provide services to 5,920 students and other community members. The School District currently operates nine instructional buildings, one administrative building, and one service center.

REPORTING ENTITY

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

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

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, Salem Christian Academy is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes.

The School District's Board is responsible for appointing the members of the Board of Trustees to the Northmont Education Foundation. The School District's accountability does not extend beyond making these appointments, therefore, the Northmont Education Foundation is considered a related organization.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

The School District is associated with organizations which are defined as jointly governed organizations and insurance purchasing pools. The jointly governed organizations are the Metropolitan Dayton Educational Cooperative Association (MDECA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA) and the Commodity Co-op managed by Gordon Foods. The insurance purchasing pools are the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP) and the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FUND ACCOUNTING

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

Governmental Funds

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

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

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

Fiduciary Funds

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

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds are reported using the economic resources measurement focus.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

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.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

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

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

CASH AND CASH EQUIVALENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agent". The account on the combined balance sheet "Cash with fiscal and escrow agents" represents deposits used to pay arbitrage liability.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the repurchase agreements and State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2004 amounted to \$74,626.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

NORTHMONT CITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2004

CAPITAL ASSETS

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

All capital assets are valued at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand five hundred dollars (\$1,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. The District had a capital asset appraisal at June 30, 2004.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20-50 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	8 years

COMPENSATED ABSENCES

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

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

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

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

NORTHMONT CITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2004

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

<u>Vacation</u> How Earned	<u>Certified</u> Not Eligible	<u>Administrators</u> 25-30 days per year or 2.08-2.50 per month	<u>Non-Certificated</u> 10-25 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	30 days Payoff up to 10 days/yr. unused earned	Double the max accumulated
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u> How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	249 days	249 days	249 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	25% paid upon retirement (62 days maximum)	30% + 20 days paid upon retirement (85 days maximum)	1/3 paid upon retirement (62 days maximum)

NET ASSETS

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

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

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

INTERFUND ACTIVITY

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund "receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

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

BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Board budgets the General and Debt Service Funds at the fund and function level. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

Estimated Resources

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriations and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

FUND EQUITY

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

Deposits – At fiscal year end, the carrying amount of the District's deposits was \$689,123. The bank balance of deposits was \$1,160,840 of which \$453,135 was covered by federal depository insurance. The remaining balance of \$707,705 was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name. Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

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

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

NORTHMONT CITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2004

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

<u>Description</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Repurchase Agreement	\$3,100,379	\$3,100,379
State Treasury Pool*	<u>0</u>	<u>5,379,998</u>
Total Investments	<u>\$3,100,379</u>	<u>\$8,480,377</u>

*The District's Investment in the Ohio State Treasury Pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

4. PROPERTY TAXES

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

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2004, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

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

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

NORTHMONT CITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2004

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2004. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004, was \$771,331 for General Fund and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2004 operations. The amount available for advance at June 30, 2003 was \$1,195,870 for General Fund and \$4,286 for Debt Service, with a corresponding reserve to fund balance since the Board did not appropriate those receivables for fiscal year 2003 operations.

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

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

	<u>2003 Second- Half Collections</u>	<u>2004 First- Half Collections</u>
Agricultural/Residential and Other Real Estate	\$574,201,790	\$582,762,340
Public Utility Personal	15,372,260	14,945,070
Tangible Personal Property	<u>28,498,337</u>	<u>23,857,557</u>
Total	<u>\$618,072,387</u>	<u>\$621,564,967</u>

5. RECEIVABLES

Receivables at June 30, 2004, consisted of taxes and intergovernmental grants. 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.

NORTHMONT CITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2004

6. CAPITAL ASSETS

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

	Restated Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Government Activities				
Land	\$901,562	\$0	\$0	\$901,562
Buildings and Improvements	16,199,771	48,860	0	16,248,631
Furniture, Fixtures and Equipment	5,831,183	82,744	81,037	5,832,890
Vehicles	<u>2,773,579</u>	<u>99,887</u>	<u>154,202</u>	<u>2,719,264</u>
Totals at Historical Cost	<u>\$25,706,095</u>	<u>\$231,491</u>	<u>\$235,239</u>	<u>\$25,702,347</u>
Less Accumulated Depreciation:				
Buildings and Improvements	12,951,917	226,297	0	13,178,214
Furniture, Fixtures and Equipment	3,629,799	775,675	81,037	4,324,437
Vehicles	<u>1,566,370</u>	<u>248,169</u>	<u>114,679</u>	<u>1,699,860</u>
Total Accumulated Depreciation	<u>\$18,148,086</u>	<u>\$1,250,141</u>	<u>\$195,716</u>	<u>\$19,202,511</u>
Governmental Activities Capital Assets, Net	<u>\$7,558,009</u>	<u>(\$1,018,650)</u>	<u>\$39,523</u>	<u>\$6,499,836</u>

*Depreciation expense was charged to governmental functions in the Statement of Activities as follows:

Instruction:	
Regular	\$567,210
Special	4,288
Support Services:	
Pupil	3,108
Instructional Staff	290,640
General Administration	649
School Administration	4,595
Business	1,630
Operations and Maintenance	5,907
Pupil Transportation	253,076
Central	50,719
Operation of Non-Instructional Services	37,234
Extracurricular Activities	31,085
Total Depreciation Expense	<u>\$1,250,141</u>

NORTHMONT CITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2004

7. LONG-TERM LIABILITIES

	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds and Notes:					
School Improvement 1991 5.60%-6.85%	\$335,000	\$0	\$ 335,000	\$0	\$0
Energy Conservation 1997 5.60%	<u>160,000</u>	<u>0</u>	<u>50,000</u>	<u>110,000</u>	<u>55,000</u>
Total General Obligation Bonds and Notes	495,000	0	385,000	110,000	55,000
Compensated Absences	2,844,589	630,366	733,094	2,741,861	571,951
Capital Leases	<u>1,091,285</u>	<u>0</u>	<u>324,578</u>	<u>766,707</u>	<u>288,990</u>
Total Governmental Activities Long-Term Liabilities	<u>\$4,430,874</u>	<u>\$630,366</u>	<u>\$1,442,672</u>	<u>\$3,618,568</u>	<u>\$915,941</u>

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

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

	<u>General Obligation Bonds and Notes</u>		
Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$55,000	\$6,160	\$61,160
2006	<u>55,000</u>	<u>3,080</u>	<u>58,080</u>
Totals	<u>\$110,000</u>	<u>\$9,240</u>	<u>\$119,240</u>

8. LEASES

CAPITAL LEASES

The District entered into a new capital lease for June 30, 2003 for nine school buses. In addition, the District has leases for energy conservation equipment, telecommunication equipment and food service equipment.

NORTHMONT CITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2004

The District's leases meet the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the General and Permanent Improvement Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Long-Term</u> <u>Debt</u>
2005	\$321,217
2006	225,379
2007	62,448
2008	59,927
2009	59,927
Thereafter	<u>145,407</u>
Total Minimum Lease Payments	874,305
Less: Amount Representing Interest	<u>(107,598)</u>
Present Value of Minimum Lease Payments	<u>\$766,707</u>

9. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion being used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,013,292, \$984,132 and \$369,711 respectively; 68.1% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

STATE TEACHERS RETIREMENT SYSTEM

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$2,944,500, \$2,877,576, and \$1,874,725 respectively; 85.8% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

10. POST EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to 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% of covered payroll. The Board currently allocates employer contributions equal to 1.0% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$210,321 during the 2004 fiscal year. As of July 1, 2004, eligible benefit recipients totaled 111,853. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000.

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

For 2004 fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$24,500. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$355,376 during the 2004 fiscal year. The number of participants currently receiving health care benefits is approximately 62,000. For the fiscal year ended June 30, 2004, net health care costs paid by SERS were \$223,443,805.

11. OTHER EMPLOYEE BENEFITS

A. Insurance Benefits

The School District provides health insurance through United Health Care. Life insurance, accidental death, and dismemberment insurance is provided to most employees through CoreSource.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

B. Retirement Incentive

The School District Board of Education approved a Retirement Incentive program. Participation was open to employees who are eligible, by June 30 of any given year, to retire under the State Teachers Retirement System of Ohio. Employees are required to give written notice to the Superintendent by March 30 of the year he/she first becomes eligible for "full retirement" under the State Teachers Retirement system of Ohio and must do so prior to exceeding 30 years of service with the School District. The Board did not limit the number of employees participating in the plan in any one year. The retirement incentive is equal to \$1,000 times each year of Northmont service, not to exceed \$20,000 provided that such unit member has at least 10 years of Northmont service, five years of which must be consecutive and in a paid status immediately prior to retirement.

12. CONTINGENT LIABILITIES

GRANTS

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

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

LITIGATION

The District is party to legal proceedings. The District's attorney estimates that the ultimate disposition of these claims against the District would not materially affect the financial statements of the District.

13. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Cooperative Association

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. 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.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by the majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. During fiscal year 2004, the School District paid MDECA \$150,263 for services provided during the year. Financial information can be obtained from MDECA at 201 Riverside Drive Suite 1 C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2004, the Northmont City School District paid \$17,135 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nomination committee selects individuals to run. One at-large non-public representative is elected by the non public school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2004, the School District paid \$11,149 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Commodity Co-op Managed By Gordon Foods

The District is a participant in a commodity co-op managed by Gordon Foods which involves the food service for the District.

14. INSURANCE PURCHASING POOLS

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust

The School District also participates in the EPC Benefit Plan Trust (the Plan), a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. The District paid \$3,510,389 for medical and dental benefits to the Plan during the year.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

15. RISK MANAGEMENT

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. During fiscal year 2004, the School District contracted with Southwestern Ohio Educational Purchasing Cooperative for property insurance, fleet insurance and for liability insurance coverage. Coverages provided by the above companies are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$76,275,770
Boiler and Machinery (\$2,500 deductible)	76,275,000
Crime Insurance (\$1,000 deductible)	500,000
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Plan is intended 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 performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" 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 Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

16. STATE SCHOOL FUNDING DECISION

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

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

NORTHMONT CITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2004

17. COMPLIANCE AND ACCOUNTABILITY

The following individual funds had a deficit in fund balance at year end (includes accrual entries):

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds:	
Mental Health	\$6,899
Title I	11,940
Drug Free Schools	881
Title VI-R	5,832
Food Service	3,648

The above funds have deficit fund balances due to the accrual of wages and fringe benefits (GAAP basis of accounting); and also due to the timing of reimbursement for goods and/or services rendered. The general fund is liable for any deficit in any funds and will provide operating transfers when cash is required, not when accruals occur. On the cash basis of accounting, no funds had deficit balances.

18. FUND BALANCE RESERVES FOR SET-ASIDES

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

For fiscal year ended June 30, 2004, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2003	(\$1,043,646)	\$ 0
Current Year Set-aside Requirement	793,578	793,578
Qualified Disbursements	<u>(937,343)</u>	<u>(967,100)</u>
Total	(1,187,411)	(173,522)
Set-Aside Reserve Balance as of June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>
Set Aside Balance Carried Forward to Future Years	<u>(\$1,187,411)</u>	<u>\$ 0</u>

NORTHMONT CITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2004

Offset credits for capital activity during the year exceeded the amount required for the set-aside. Qualifying disbursements and carryover from prior years for textbooks totaled \$1,980,989, resulting in \$1,187,411 for carryover to offset textbook requirements in future years.

19. INTERFUND TRANSACTIONS

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$46,734	\$0	\$0	\$39,000
Other Governmental Funds:				
Title III	0	11,734	0	0
Mental Health	0	0	39,000	
Food Service	0	35,000	0	0
	<u>\$46,734</u>	<u>\$46,734</u>	<u>\$39,000</u>	<u>\$39,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

20. PRIOR PERIOD ADJUSTMENT

The beginning net asset governmental activities has been adjusted for correction to the capital assets detail due to an appraisal.

	<u>Governmental Activities</u>
June 30, 2003 Fund Balance/ Net Assets, as previously stated	\$3,499,240
Net Capital Assets	<u>3,205,642</u>
June 30, 2003 Fund Balance/ Net Assets, as restated	<u>\$6,704,882</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$18,141,000	\$18,286,283	\$18,286,283	\$0
Tuition and Fees	491,000	494,282	494,282	0
Investment Earnings	156,000	67,554	67,554	0
Intergovernmental	21,398,000	22,365,420	22,365,420	0
Other Revenues	70,000	32,657	32,657	0
Total Revenues	40,256,000	41,246,196	41,246,196	0
Expenditures:				
Current:				
Instruction:				
Regular	19,939,648	20,067,906	19,547,673	520,233
Special	5,381,889	5,795,758	5,795,758	0
Vocational	324,500	323,777	323,777	0
Other	137,910	41,154	41,154	0
Support Services:				
Pupil	3,021,959	3,022,297	3,022,297	0
Instructional Staff	481,268	481,411	481,411	0
General Administration	129,000	125,443	125,443	0
School Administration	3,003,344	2,939,552	2,939,552	0
Fiscal	842,520	801,017	801,017	0
Business	1,048,584	1,042,023	1,002,487	39,536
Operations and Maintenance	3,684,261	3,560,775	3,426,764	134,011
Pupil Transportation	2,196,004	2,087,517	1,969,117	118,400
Central	456,359	409,961	382,468	27,493
Extracurricular Activities	515,000	459,976	459,976	0
Capital Outlay	440,999	440,999	379,117	61,882
Debt Service:				
Principal Retirement	263,000	269,434	269,434	0
Interest and Fiscal Charges	6,434	538,868	0	538,868
Total Expenditures	41,872,679	42,407,868	40,967,445	1,440,423
Excess of Revenues Over (Under) Expenditures	(1,616,679)	(1,161,672)	278,751	1,440,423
Other financing sources (uses):				
Advances In	60,000	79,125	79,125	0
Advances (Out)	(12,138)	(31,734)	(31,734)	0
Contingencies	(618,000)	(629,510)	0	629,510
Transfers In	35,000	0	0	0
Transfers (Out)	(43,822)	(39,000)	(39,000)	0
Total Other Financing Sources (Uses)	(578,960)	(621,119)	8,391	629,510
Net Change in Fund Balance	(2,195,639)	(1,782,791)	287,142	2,069,933
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	5,562,797	5,562,797	5,562,797	0
Fund Balance End of Year	\$3,367,158	\$3,780,006	\$5,849,939	\$2,069,933

See accompanying notes to the required supplementary information.⁴²

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2004

1. BUDGETARY PROCESS

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

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

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$978,351
Net Adjustment for Revenue Accruals	504,514
Net Adjustment for Expenditure Accruals	643,378
Encumbrances	<u>(1,839,101)</u>
Budget Basis	<u>\$287,142</u>

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$95,516		\$95,516
School Breakfast Program	05PU-2003 05PU-2004	10.553	\$962 5,963 <u>6,925</u>		\$962 5,963 <u>6,925</u>	
National School Lunch Program	LLP4-2003 LLP4-2004	10.555	54,749 281,873 <u>336,622</u>		54,749 281,873 <u>336,622</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>343,547</u>	<u>95,516</u>	<u>343,547</u>	<u>95,516</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	6BSF-2003-P 6BSF-2004	84.027	35,700 517,972 <u>553,672</u>		54,386 506,814 <u>561,200</u>	
Special Education - Preschool Grants	PGS1-2003-P PGS1-2004	84.173	1,800 5,249 <u>7,049</u>		1,800 5,249 <u>7,049</u>	
Total Special Education Cluster			<u>558,921</u>		<u>568,249</u>	
Assistive Technology Infusion Grant	N/A	84.352			32,798	
Improving Teacher Quality State Grants	TRS1-2003 TRS1-2004	84.367	16,737 125,202 <u>141,939</u>		19,932 113,222 <u>133,154</u>	
Education Technology State Grants	TJS1-2003 TJS1-2004	84.318	6,562 <u>6,562</u>		3,201 6,562 <u>9,763</u>	
Title I - Grants to Local Educational Agencies	C1S1-2003 C1S1-2004	84.010	59,037 216,982 <u>276,019</u>		40,931 205,990 <u>246,921</u>	
Innovative Educational Program Strategies	C2S1-2003 C2S1-2004	84.298	33,561 <u>33,561</u>		7,658 33,561 <u>41,219</u>	
English Language Acquisition Grant	T3-S1-2004	84.365	2,127		10,170	
Safe & Drug-Free Schools & Communities State Grants	DRS1 2003 DRS1 2004	84.186	8,055 18,042 <u>26,097</u>		1,281 16,198 <u>17,479</u>	
Total U.S. Department of Education			<u>1,061,963</u>		<u>1,059,753</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Montgomery Co. Educational Service Center:</i>						
Medical Assistance Program	N/A	93.778	5,807		5,807	
Total Federal Assistance			<u>\$1,411,317</u>	<u>\$95,516</u>	<u>\$1,409,107</u>	<u>\$95,516</u>

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

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District did not have a significant inventory of food commodities.

NOTE C - MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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

Northmont City School District
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45322

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 Northmont City School District, Montgomery County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 25, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the District's management in a separate letter dated February 25, 2005.

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

**Internal Control Over Financial Reporting
(Continued)**

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

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

Betty Montgomery
Auditor of State

February 25, 2005



Auditor of State Betty Montgomery

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

Northmont City School District
Montgomery County
4001 Old Salem Road
Englewood, Ohio 45322

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

**Internal Control Over Compliance
(Continued)**

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

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

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

Betty Montgomery
Auditor of State

February 25, 2005

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**NORTHMONT CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 12, 2005**