



**Auditor of State
Betty Montgomery**

CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Schedule of Federal Awards Receipts and Expenditures	1
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	2
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	3
Independent Accountants' Report on Compliance with Requirements Applicable to the Each Major Federal Program, Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Federal Awards Receipts and Disbursements Schedule	5
Schedule of Findings and Questioned Costs	7
Corrective Action Plan.....	10

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**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Donation Program (See Note "B")	N/A	10.550	\$ -	\$ 63,563	\$ -	\$ 63,563
School Breakfast Program	05-PU-2004	10.553	23,151	-	23,151	-
School Breakfast Program	05-PU-2005	10.553	77,455	-	77,455	-
Total School Breakfast Program			100,606	-	100,606	-
National School Lunch Program	LL-P1-2004	10.555	3,982	-	3,982	-
National School Lunch Program	LL-P1-2005	10.555	12,857	-	12,857	-
National School Lunch Program	LL-P4-2004	10.555	106,761	-	106,761	-
National School Lunch Program	LL-P4-2005	10.555	356,487	-	356,487	-
Total National School Lunch Program			480,087	-	480,087	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE- Child Nutrition Cluster			580,693	63,563	580,693	63,563
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1-S1-2004	84.010	6,925	-	165,972	-
Title I Grants to Local Educational Agencies	C1-S1-2005	84.010	985,331	-	841,649	-
Total Title I Grants to Local Educational Agencies			992,256	-	1,007,621	-
Special Education Grants to States	6B-SD-2004-P	84.027	24,900	-	3,066	-
Special Education Grants to States	6B-SD-2005	84.027	17,630	-	18,750	-
Special Education Grants to States	6B-SF-2004	84.027	53,406	-	57,111	-
Special Education Grants to States	6B-SF-2005	84.027	627,582	-	679,747	-
Total Special Education Grants to States			723,518	-	758,674	-
Safe and Drug Free Schools and Communities State Grant	DR-S1-2004	84.186	(35)	-	5,359	-
Safe and Drug Free Schools and Communities State Grant	DR-S1-2005	84.186	21,339	-	15,118	-
Total Safe and Drug Free Schools and Communities State Grant			21,304	-	20,477	-
Education for Homeless Children and Youth	HC-S1-2004	84.196	(4,657)	-	840	-
Education for Homeless Children and Youth	HC-S1-2005	84.196	41,783	-	46,194	-
Education for Homeless Children and Youth	HC-SP-2004	84.196	930	-	2,947	-
Total Education for Homeless Children and Youth			38,056	-	49,981	-
Even Start State Educational Agencies	EV-S1-2004	84.213	1,539	-	30,156	-
Even Start State Educational Agencies	EV-S1-2005	84.213	175,594	-	158,512	-
Even Start State Educational Agencies	EV-S2-2003	84.213	5,902	-	-	-
Total Even Start State Educational Agencies			183,035	-	188,668	-
State Grants for Innovative Programs	C2-S1-2004	84.298	(722)	-	-	-
State Grants for Innovative Programs	C2-S1-2005	84.298	17,944	-	18,154	-
Total State Grants for Innovative Programs			17,222	-	18,154	-
Education Technology State Grants	TJ-S1-2004	84.318	1,642	-	2,220	-
Education Technology State Grants	TJ-S1-2005	84.318	30,063	-	28,845	-
Total Education Technology State Grants			31,705	-	31,065	-
Comprehensive School Reform Demonstration	RF-S3-2003	84.332	32,061	-	14,458	-
Improving Teacher Quality State Grants	TR-S1-2004	84.367	(14,469)	-	39,092	-
Improving Teacher Quality State Grants	TR-S1-2005	84.367	240,164	-	241,252	-
Total Improving Teacher Quality State Grants			225,695	-	280,344	-
TOTAL U.S. DEPARTMENT OF EDUCATION			2,264,852	-	2,369,442	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through the Ohio Department of MRDD</i>						
State Children's Insurance Program	316400384	93.767	2,236	-	2,236	-
Medical Assistance Program	316400384	93.778	64,155	-	64,155	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			66,391	-	66,391	-
Total Federal Awards Receipts and Expenditures			\$ 2,911,936	\$ 63,563	\$ 3,016,526	\$ 63,563

The accompanying notes are an integral part of this schedule.

**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - TRANSFERS DUE TO ODE ADMINISTRATIVE ACTION

The District transferred monies from the 2004 grant award to the 2005 grant award during fiscal year 2005 for the following: CFDA #'s 84.186-\$35, 84.196-\$10,770, 84.213-\$16,864, 84.298-\$722, 84.318-\$2,697 and 84.367-\$14,469. However, the transfers for CFDA #'s 84.196, 84.213, 84.318 were offset by \$6,113, \$18,403, and \$4,339 in receipts received respectively during fiscal year 2005, results in the amounts of (\$4,657), \$1,539, and \$1,642 amounts reflected on the federal schedule, respectively. These transfers were due to the revised Comprehensive Continuous Improvement Plan Strategy (CCIP) as of July, 2002 which is an attempt to promote consistency between fiscal periods, allows the local agencies to manage one Ohio Department of Education project at a time, and eliminates refunds to Ohio Department of Education.



Auditor of State Betty Montgomery

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

Chillicothe City School District
Ross County
235 Cherry Street
Chillicothe, Ohio 45601

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 the Chillicothe City School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 20, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated December 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

December 20, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND ON THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE

Chillicothe City School District
Ross County
235 Cherry Street
Chillicothe, Ohio 45601

To the Board of Education:

Compliance

We have audited the compliance of the Chillicothe City School District, Ross County, Ohio, (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 apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures 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 Chillicothe City School District, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying schedule of findings and questioned costs as items 2005-001 and 2005-002.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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We noted a certain matter involving the internal control over compliance and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We do not believe the reportable condition described above is a material weakness. We also noted a matter involving the internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 20, 2005.

Federal Awards Receipts and Expenditures Schedule

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chillicothe City School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated December 20, 2005. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying federal awards receipts and expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

December 20, 2005

**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States #84.027 Improving Teacher Quality State Grants # 84.367
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Finding Number	2005-001
CFDA Title and Number	Special Education Grants to States CFDA # 84.027
Federal Award Number / Year	6B-SF-2005; 6B-SF-2004; 6B-SD-2005; and 6B-SD-2004-P
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**Special Tests and Provisions- Individualized Educational Programs (IEP)-
Noncompliance/Reportable Condition**

The District's control process requires an annual Individualized Education Plan (IEP) for the Handicapped Children of the District. This IEP is required to be signed by the Parent, Regular Education Teacher, Special Education Provider/ Teacher and another District representative.

34 CFR 300.341 states that each Local Education Agency (LEA) should develop and implement an individualized education program (IEP) for each of its handicapped children of the Local Education Agency (LEA).

34 CFR 300.347 states that an IEP for each child should include (1) a statement of the child's present level of educational achievement, (2) a statement of the annual goals, (3) a statement of the special education and related services to be provided, (4) the projected dates for initiation of the services and the anticipated durations of the services and (5) appropriate objective criteria and evaluation procedures.

The Ohio Department of Education Operating Standards for Ohio's Schools Serving Children with Disabilities section 3301-51-07(D) of the Ohio Administrative Code states that each school district shall have an Individualized Education Program (IEP) in effect for each child with a disability within its jurisdiction who is receiving special education and related services by the child's third birthday and at the beginning of each subsequent school year.

Eighteen percent of the student files tested did not have a current IEP in place for the fiscal year ended June 30, 2005. However, the District did have an IEP prepared for the previous years the children were serviced. Additionally, twenty-five percent of the IEP's on file contained some of the signatures but not all of the required signatures.

Failure to complete an annual IEP with the required elements for each child and to obtain the signatures by the various authorities could allow for students to be serviced under a plan that is incomplete and/or where all the authorities may not be in agreement with the elements of the plan.

We recommend the District develop procedures to monitor the completion of an IEP for all students serviced annually.

CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (continued)

Finding Number	2005-002
CFDA Title and Number	Special Education Grants to States CFDA # 84.027
Federal Award Number / Year	6B-SF-2005; 6B-SF-2004; 6B-SD-2005; and 6B-SD-2004-P
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Allowability- Questioned Cost/Noncompliance

Severance Payouts

OMB Circular A-87 Attachment B Section 8.g (3) requires that abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant federal agency.

The District charged the Special Education Grant for an employee's retirement bonus and severance payout upon retirement. This payout was not specifically approved by the cognizant federal agency. The amount of questioned cost relating to the payment of a retirement bonus and severance amounted to thirty seven thousand nine hundred and fifty three dollars (\$37,953).

We recommend the District only use grant funds for payroll activity that is allowable under OMB Circular A-87 Attachment B Section 8.g (3).

**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2005**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	<p>IEP Team the district has taken the following corrective action steps.</p> <ol style="list-style-type: none"> 1) In August 2005, the special services director for the district reviewed all of the special education files, which is approximately 500 students, to determine which IEPs were out of timelines for the 2005-2006 school year. All building principals were notified of the IEPs that were out of timelines and instructed to hold the annual review meetings in order that each student in the district would have a current IEP. 2) District special education teachers attended IEP training on August 29, 2005, and September 14, 2005, to address all requirements set forth in OAC 3301-51-07 (D) IEP In Effect, (E) IEP Team and (G) IEP Sequential Process 3) District principals serving in the role of District Representative as identified in OAC 3301-51-07 (E) IEP Team attended a training on January 13, 2006, to address all requirements set forth in OAC 3301-51-07 (D) IEP In Effect, (E) IEP Team and (G) IEP Sequential Process. 4) The special services director continues to regularly monitor the status of the out of timeline IEPs for the 2005-2006 school year and communicates with each building principals regarding the status of those IEPs. 5) The district special services department has implemented a data base tracking system specific to the required timelines set forth in OAC 3301-51-06 (F) (2) Procedures for Determining Eligibility to assure that newly identified students with disabilities have an IEP in effect within the required timelines and that annual reviews are conducted according to the timelines stated in the annual IEP. The procedures for tracking include 30 and 15 day reminders as the timeline nears. 6) The special services director attends all out of district placement IEP and MFE meetings to assure that students MFEs and IEPs are current per 3301-51-07 (D) IEP In Effect. <p>Corrective Action to be implemented prior to the start of the 2006-2007 school year includes:</p> <ol style="list-style-type: none"> 1. Monthly meetings with the building principals to review the requirements set forth in OAC 3301-51-07 (D) (E) (G) and to review the ongoing status of all students with disabilities and their IEPs. 2. All students with disabilities will have an effective IEP per OAC 3301-51-07 (D) prior to the start of the 2006-2007 school year. 	August 1, 2006	Ms. Deborah Swinehart, Special Services Coordinator

**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2005
(Continued)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-002	<p>The District's handling of this transaction was consistent with past practices. However, based on the audit findings, the District corresponded with the U.S. Department of Education Offices of Special Education Programs. The Department has informed the District that direct retirement severance payments from IDEA B funds are not permissible under any circumstances. We believe this decision will have ramifications for Districts statewide, not just Chillicothe. However, to comply with this requirement, the District will amend the Final Expenditure Report for FY05. These payments will be adjusted to the General Fund. The excess Title VI-B funds will carry over to the FY06 grant to provide special education services in FY06.</p>	June 30, 2006	Mr. John D. Rose, Treasurer

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

CHILlicothe CITY SCHOOL DISTRICT

235 Cherry Street Chillicothe, Ohio 45601

Comprehensive Annual Financial Report
of the
Chillicothe City School District
Chillicothe, Ohio

For the fiscal year ended
June 30, 2005

Board of Education

Sheryl McCorkle.....President
Richard Vollmar.....Vice-President
Wally Burden.....Member
Mark GrayMember
Jeff Hartmus.....Member

Superintendent of Schools

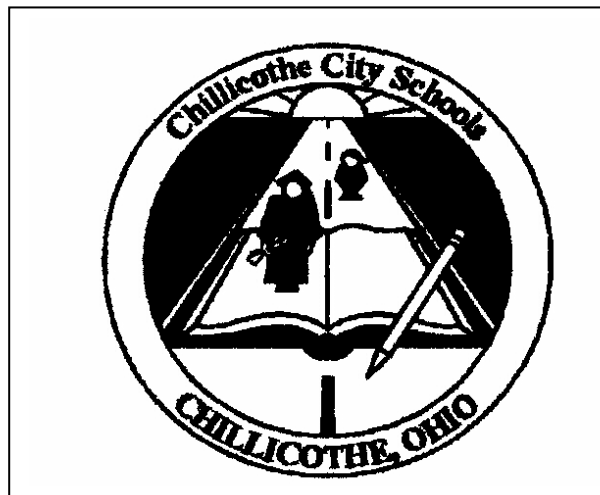
Dr. Michael Trego

Issued by the Treasurer's Office

John C. Rose
Treasurer



CHILlicothe CITY SCHOOL DISTRICT



INTRODUCTORY SECTION

Chillicothe City School District, Ohio
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005

Table of Contents

INTRODUCTORY SECTION

Table of Contents.....	i
Letter of Transmittal	iv
GFOA Certificate of Achievement.....	xiii
ASBO Certificate of Excellence.....	xiv
Organization Chart	xv

FINANCIAL SECTION

Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements.....	10
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – (Non-GAAP Budgetary Basis) General Fund	18
Statement of Net Assets – Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund.....	20
Statement of Cash Flows – Proprietary Fund	21
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	22
Notes to the Basic Financial Statements	23
Combining Statements and Individual Fund Schedules.....	50

Combining Statements – Nonmajor Governmental Funds:

Fund Descriptions	51
Combining Balance Sheet – Nonmajor Governmental Funds.....	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	55
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	62
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	70
Balance Sheet – Nonmajor Permanent Fund.....	71
Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Permanent Fund.....	72
Fund Descriptions – Agency Funds.....	73
Statement of Changes in Assets and Liabilities – Agency Funds.....	74

Individual Fund Schedules of Revenues, Expenditures/Expenses and
Changes in Fund Balance – Budget (Non-GAAP Basis)

and Actual.....	75
Debt Service Fund.....	76
Construction Fund.....	76
Food Service Fund.....	77
Uniform School Supplies Fund.....	77
Rotary Fund.....	77
Public School Support Fund.....	78
Other Local Grants Fund.....	78
District Managed Activities Fund.....	78
Auxiliary Service Fund.....	79
Teacher Development Fund.....	79
Education Management Information Fund.....	79
Public School Preschool Fund.....	80
Disadvantaged Pupil Impact Aid Fund.....	80
OneNet Network Fund.....	80
Schoolnet Training Fund.....	81
Ohio Reads Fund.....	81
Summer Intervention Regional Fund.....	81
Miscellaneous State Grant Fund.....	82
Title VI-B Fund.....	82
Title I Fund.....	82

Title VI Fund.....	83
Drug Free School Fund.....	83
Improving Teacher Quality Fund.....	83
Miscellaneous Federal Grant Fund.....	84
Permanent Improvement Fund.....	85
Interactive Video Distance Learning Fund.....	85
Alumni Library Fund.....	86
Employee Self Insurance	86

STATISTICAL SECTION

Table 1	Governmental Activities Expenses by Function.....	87
Table 2	Governmental Activities Revenue by Source.....	88
Table 3	Property Tax Levies and Collections.....	89
Table 4	Assessed Value and Estimated Actual Value of Taxable Property.....	90
Table 5-A	Property Tax Rates – Direct and Overlapping Governments (Scioto Township).....	91
Table 5-B	Property Tax Rates – Direct and Overlapping Governments (City of Chillicothe).....	92
Table 6	Principal Property Taxpayers.....	93
Table 7	Computation of Legal Debt Margin.....	94
Table 8	Ratio of Net General Bonded Obligation Bonded Debt to Assessed Value and net Debt Per Capita.....	95
Table 9	Ratio of Annual General Obligation Bonded Debt Service Expenditures to Total General Governmental Expenditures.....	96
Table 10	Computation of Direct and Overlapping Debt.....	97
Table 11	New Construction, Property Value and Bank Deposits.....	98
Table 12	Cost to Educate a 2004 Graduate	99
Table 13	Average Daily Membership (ADM) Data.....	100
Table 14	Staffing Statistics – Full Time Equivalents (FTE).....	101
Table 15	Educational Statistics.....	102
Table 16	Demographic Statistics and Average Unemployment Rates	103



Chillicothe City Schools

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Chillicothe, Ohio 45601-2350
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December 20, 2005

To the Board of Education and the Citizens of the Chillicothe City School District:

As the Superintendent and Treasurer of the Chillicothe City School District (the District), we are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) issued by the District. This CAFR, for the fiscal year ended June 30, 2005, is prepared in accordance with accounting principles generally accepted in the United States of America.

This CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes a table of contents, this transmittal letter, a list of principal officers, the District's organizational chart, a Certificate of Achievement for Excellence in Financial Reporting and a Certificate of Excellence in Financial Reporting. The financial section includes management's discussion and analysis, the basic financial statements and the combining and individual fund financial statements and schedules, as well as the Independent Accountants' Report on the financial statements. The statistical section provides pertinent financial, economic and demographic information indicating historical trends.

The Office of the Treasurer is responsible for the accuracy of the data presented and the completeness and fairness of this presentation. We believe the data presented is accurate in all material aspects and that all disclosures necessary to enable the reader to acquire the maximum understanding of the District's financial activity are included herein.

Copies of this report will be widely distributed throughout the District. A copy will be sent to all school buildings, the Chamber of Commerce, major taxpayers, the Chillicothe Public Library, banks, and any other interested parties.

THE DISTRICT AND ITS FACILITIES

Chillicothe is the county seat of Ross County with a population of approximately 21,796 residents. The city was the capital city of the Northwest Territory in 1787, and then became Ohio’s first capital in 1803. The name Chillicothe comes from the Shawnee Indians and means “hometown”. Located 45 miles south of Columbus, Chillicothe is home for a branch campus of Ohio University and the Tecumseh outdoor drama production.

The Chillicothe City School District is one of seven school districts in Ross County. With 3,196 pupils, it has the largest enrollment in the county. It also is by far the smallest district in the county geographically, encompassing just 22 square miles. The District operates seven school facilities, which includes one high school for grades 9-12, one middle school for grades 6-8, three elementary schools for grades K-5, one elementary school for grades K-6, plus a central administration building which also houses a county-wide preschool program for approximately 100 pupils as well as a young fives half-day kindergarten class. The School District also operates one maintenance building and one bus garage.

Approximately 42% of the District’s student body qualifies for free or reduced-priced lunches. Mt. Logan Elementary provides free lunches to 63% of their students and Tiffin Elementary provides free lunches to 52% of their students. The District serves lunch to 81% of the student population daily. All seven school facilities offer breakfast programs. However, only 20% of the student population participates in the program. Approximately 30% of the students in Chillicothe are participants of the Ohio Works First (OWF) program.

All of the District’s schools are accredited by the North Central Association. The North Central Association Commission on Schools challenges schools to be ready for all learners and to press them for excellence. North Central Commission on Schools is a dynamic school accreditation and evaluation organization that protects the public trust and is proactive in promoting a system of education that:

- Enhances student learning and the love of learning.
- Fosters healthy, creative, and innovative human beings.
- Prepares students to live and learn in an ever-changing and diverse world.
- Ensures successful school transitions for its learners through the provision of standards and evaluation services for schools.

The evaluation/improvement process that is required and nurtured by NCA brings teachers, administrators, staff, students, and parents together in the pursuit of common purpose of a quality educational program. The process is effective in preparing and implementing the required Continuous Improvement Plan.

ORGANIZATION OF THE DISTRICT

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

The current Board members, their terms, and years on the Board as of June 30, 2005 are:

<u>Board Member</u>	<u>Term</u>	<u>Years on Board</u>
Mr. Richard Vollmar	1/1/02 - 12/31/05	7 ½ Years
Mr. Mark Gray	1/1/02 - 12/31/05	3½ Years
Mrs. Sheryl McCorkle	1/1/04 - 12/31/07	1½ Years
Mr. Jeff Hartmus	1/1/04 - 12/31/07	1½ Years
Mr. Wally Burden	8/11/04-12/31/05	3 Years

The Superintendent is the chief executive officer of the District and is responsible directly to the Board for all operations of the District. On May 30, 2004 the Board awarded Dr. Michael Trego a three year contract as Superintendent from August 1, 2004 through July 31, 2007. The Superintendent has subsequently submitted his resignation effective January 31, 2006. On December 19, 2005 the Board awarded a contract to Mr. Roger W. Crago as Dr. Trego's successor. Mr. Crago's initial contract runs from January 2, 2006 through July 31, 2007.

The Treasurer is the chief financial officer of the District and is directly responsible to the Board for all financial operations, investments, custody of all District funds and assets and serves as Secretary to the Board. Mr. Stacy L. Overly was appointed Treasurer effective January 8, 1997. On October 21, 2002, the Board extended Mr. Overly's contract through the date of the organizational meeting in January, 2007. On March 14, 2005, Mr. Overly submitted his resignation effective June 30, 2005. On June 13, 2005, the Board selected Mr. John D. Rose as Mr. Overly's successor. Mr. Rose's initial contract runs from July 1, 2005 though the date of the organizational meeting in January, 2008.

ECONOMIC CONDITION AND OUTLOOK

The city's largest employer is the New Page Paper Company, formerly MeadWestvaco which employs approximately 1,700 area residents. It is worth noting that MeadWestvaco was the new corporate title of the company that resulted when the Mead and Westvaco paper companies merged. As a result of the merger, the new corporate entity reassessed its personal property valuations which resulted in a \$36.1 million reduction in stated tangible values effective for the 2004 tax year. This reduction caused a significant drop in the District's local tangible tax revenue collections in fiscal year 2005. However, the District's real estate taxes increased due to the bond passage in fiscal year 2004. In 2005 New Page reassessed its personal property valuations which resulted in a \$10.5 reduction in stated tangible values effective for the 2005 tax year. This reduction will cause a drop in the District's local tangible tax revenue collections in fiscal year 2006. Although the valuation reduction is significant, New Page remains the District's largest taxpayer and provides a foundation of stability for the District. In addition, a strong mix of commercial and residential property also provides further stability to the District's tax base. In 1996, Lowe's, Wal-Mart and Kmart all built stores within District boundaries which added to the District's revenue collections on both real estate and personal tangible collections beginning in fiscal 1998.

The District, along with many other public school systems in the state, continues to face a number of challenges in the future, since the primary source of its funds is property tax revenues. Ohio law limits the growth in real estate tax revenues by reducing millage as assessed values increase following re-appraisals. Consequently, revenues generated from each levy remain relatively constant. As a result, the District must periodically seek additional funding from its taxpaying constituents. Statewide, voters have proved reluctant to increase their property taxes. The District's management is aware of this fact and is constantly looking for alternate sources of income, as well as searching for ways to provide a more efficient means of doing business while at the same time continuing to provide excellent educational services. Evidence of this is supported by the fact that the District operates over 40 grants generating over \$4 million in funding annually. These grants have provided funds to implement Entry-Year teacher programs, Family Literacy efforts, Service Learning, and prevention programs for drugs, alcohol and violence, as well as Professional Development grants which have increased the competency of staff and provided research based models for instructional change. Federal Remedial grants also support increased individualized instruction to meet the needs of our students.

Although the District's current financial situation has been challenging, District management has been proactive in its response. The District approved comprehensive budget balancing plans during the spring of 2004 and December 2004. The plans were aimed at addressing the District's declining enrollment and tangible personal property revenue losses and as such included staff reductions among other items. District management worked hard to insure a majority of the reductions were accomplished through attrition. Furthermore, the District applied for and received a one-time catastrophic grant to offset the loss in tangible personal valuation. In addition, the plans were carefully crafted to preserve the fabric and foundation of the District's curricular and co-curricular offerings.

On May 3, 2005, the District passed a 6 mill continuing operating levy. This levy will provide funds for the operating expenses of the District. Collections on this new levy will begin in February 2006. According to the Ross County Auditor this new levy will yield \$2.8 million annually to the District.

EMPLOYEE RELATIONS

The District has 354 employees of which 211 are certificated. 130 are classified and 13 are administrators. There are two organizations representing District employees. Certificated employees, including teachers and educational specialists, are represented for collective bargaining purposes by the Chillicothe Educational Association (CEA), an affiliate of the Ohio Education Association (OEA). Classified employees, including bus drivers, cooks, and clerical staff, are represented for collective bargaining purposes by the Ohio Association of Public School Employees (OAPSE) Local # 14, an affiliate of the American Federation of State, County, and Municipal Employees (AFSCME).

During the summer of 2004, the Board and CEA reached agreement on a new three-year contract effective August 1, 2004. The agreement included a base salary and wage freeze for the period August 2004 through July 2005. The Board and CEA re-opened negotiations in the spring of 2005 for salaries only and reached agreement on a 3% increase (August 2005 through July 2006) and a 3% increase in the final year of the contract (August 2006-July 2007). The contract also included a \$350 signing bonus for each member.

Also during the summer of 2004, the Board and OAPSE agreed to a three-year contract beginning July 2004. The agreement included a base salary and wage freeze for the period July 2004 through August 2005. The Board and CEA re-opened negotiations in the spring of 2005 for salaries only and reached agreement on a 3% increase (July 2005 through June 2006) and a 3% increase in the final year of the contract (July 2006-June 2007). The contract also included a \$350 signing bonus for each member.

SERVICES PROVIDED

The Chillicothe City Schools exist to provide an educational program which equips students to be lifelong learners and responsible citizens who can function in and contribute to the world in which they live. Students attain specific concepts in core academic subjects, develop positive self esteem, have an appreciation of the arts, and develop positive social relationships. The District strives to prepare students for a world of work embraced by new technology. The District is a member of the North Central Association, which sets high standards of excellence for its members. In addition, Tiffin Elementary was awarded the Ohio Schools of Promise designation for three years and received the National Blue Ribbon School award in the fall of 2003. Also, Allen Elementary and Worthington Elementary received "Excellent" ratings on the 2005 Ohio Department of Education Report Card, while Tiffin Elementary and Chillicothe High School received "Effective" designations; and Smith Middle School and Mt. Logan Elementary received "Continuous Improvement" ratings. Overall, the District received an "Effective" designation due to the performance standard criteria.

Residents of the Chillicothe City School District have the opportunity to enroll their children in a public preschool program that fosters learning through developmental literacy activities and prepares students with skills necessary to successfully enter kindergarten. The program includes four half-day sessions per week and is open to three and four year olds.

Children entering kindergarten are screened for hearing and vision in the spring. All children entering kindergarten are assessed each fall to determine their literacy achievement. The District offers all-day kindergarten or half-day early five's kindergarten. All of the District's elementary schools operate full-day, every day kindergarten programs. Both kindergarten programs include readiness skills in mathematics, reading, and language arts. Handwriting, science, and social studies concepts are also an integral part of daily activities.

In the primary grades, K-2, attention is focused upon each child mastering the basic skills necessary for sustained progress in reading, written composition, math, writing, science, social studies, health and handwriting. Each child is also introduced to music, art, physical education, and computer technology. The District has two schools, Mt. Logan and Tiffin, that receive Title I services.

Children in grades 3 through 5, the intermediate level, continue to build upon the basic core academic areas and expand their higher order thinking skills. Written composition, problem solving, critical thinking skills and analytical processes are stressed. Physical education, health, art, and music including band and strings are also an integral part of the intermediate elementary curriculum. Each elementary building has a library with a full-time librarian or aide. Students are scheduled weekly in the library to learn how to use the library efficiently, acquire research skills, and to borrow books.

In addition to extending academic knowledge, life skills of the everyday world are stressed in grades 6 through 8. Developing a positive self-image, a concern for good health, safety and physical activity, as well as opportunities to explore introductory awareness programs help these grade level students develop an awareness of interest, ability, and personality and how these characteristics affect job choices. Students gain a greater understanding of the diversity of careers available, develop exploratory and decision-making skills, and realize the need to prepare for an ever-changing work environment. Career guidance helps students develop an economic understanding: A person is both a worker earning income and a consumer disbursing income. All eighth-grade students participate in a shadowing day in a career of interest. This shadowing experience provides a sense of direction to prepare Individual Career Plans that guide students' course selections for their four-year high school experience. Staff members strive to help students develop the virtues of integrity, courage, discipline, and the pursuit of lifelong learning.

Chillicothe High School is a unique four-year comprehensive high school accredited by the North Central Association of Secondary Schools and Colleges and the Ohio Department of Education. Chillicothe is the only NCA accredited high school in Ross County. Chillicothe High School requires 21 units of credits to graduate. The school offers an impressive list of curricula and co-curricular programs. Over 200 courses are available including 13 advanced placement courses. Students are eligible to take courses at the local Ohio University branch campus and receive both high school credit and college credit for said courses. Articulation agreements with Ohio University-Chillicothe and Lancaster branch campuses, as well as the Columbus State Community College allow students in the College Technical Program to enter these institutions with a stronger academic background and earn an enhanced associate degree or continue in baccalaureate programs. Students who want to enter the work force directly from high school can attend Pickaway-Ross Career and Technical Center or stay at Chillicothe High School and work with vocational instructors.

The Chillicothe High School drama productions, choirs, instrumental music groups, marching band, flag corps, and competition cheerleaders have received many state and national awards. The Language Arts' Broadcasting classes produce a local news show each week, which is televised over the community's Cablevision station. The students under the supervision of the language arts teacher and technology personnel write the script and then deliver the show each evening. Special events are covered as well as newsworthy stories. Two local radio stations and the local newspaper, the *Chillicothe Gazette*, are in partnership with the school and provide news services to the student producers.

The District's special education programs are broad and comprehensive. Approximately 12% of the student population has Individualized Education Plans. Special programs for the multi-handicapped, developmentally handicapped, learning disabled, and speech and hearing impaired are provided for students who are identified. A Talented and Gifted program is available to qualified students from grades 2 through high school.

MAJOR INITIATIVES AND EVENTS-FISCAL YEAR 2005

Operating Levy

On May 3, 2005, District residents approved a 6 mill operating Levy. Proceeds of the levy will enable the District to continue its current programs and services. The levy will generate approximately \$2.8 million per year. This additional revenue will help the District balance against further losses due to declining student enrollment and further reductions due to the loss of the tangible personal property values.

Budget Balancing Measures

The District has been hard hit by recent valuation reductions, declining resident student enrollment, and state budget cuts. These factors combined with huge increases in the cost of insurance forced the Board to approve its fourth budget reduction plan in the past five years. The reductions permit the District to operate as efficiently as possible, while at the same time preserve the educational programming that is so critical to this District's continued success.

Continuous Improvement Plan (CIP)

The District adopted a revised three-year school improvement plan in 2005 after analyzing data that showed the educational needs of the District, and reviewing surveys indicating the perceptions of the District by parents, students, and community. The No Child Left Behind (NCLB) federal legislation, as well as The Adequate Yearly Progress (AYP) piece of the NCLB legislation required additional data collection and analysis, which reinforced the critical needs of the District. The District's safety plan and technology plan are incorporated in the Continuous Improvement Plan. The CIP serves as the District's decision-making document. The document also serves as a planning tool for teachers' continuing professional development.

Financial Planning

Although the District has engaged in long-range financial forecasting for quite some time, recent legislation mandated this for all schools in the State. The requirement specified the format of the forecast, which has helped develop a consistency in reporting between districts. Each district must submit its five-year forecast at least annually to the Ohio Department of Education for monitoring purposes. Because the District's forecast indicated the potential for a negative balance by June 30, 2004, the District was placed in a fiscal caution status by the Ohio Department of Education in December 2003. The Department of Education, Division of School Finance now conducts monthly reviews of the District's financial condition. The five-year forecast provided the roadmap for the District's leadership to enact reduction measures to balance the budget and meet the state's requirement to end the year without borrowing. Since the reductions made were in advance of major financial difficulties, the District was able to preserve the fabric and content of its curricular and co-curricular programs. In addition, the forecast serves as the basis for determining whether a district has the financial capacity to enter into significant contracts having multi-year implications. Chillicothe has been pro-active in this area by taking the approach of reviewing and updating (if warranted) its five-year forecast monthly. This process insures that the District's leadership is well-informed of its financial status before making any critical decisions.

Sale of Real Property

On October 29, 2005 the District sold the Water Street Maintenance Warehouse at auction for \$85,000. The District's McArthur Elementary building is currently being leased to Life Ambulance Services. Proceeds from these transactions have been paid into the General Fund to aid in the operations of the District.

Curriculum Development

Curriculum development is on a rotating five-year cycle. Each curricular area is reviewed and revisions are made to ensure that research-based programs and practices are available for students. The District closely follows the Ohio Department of Education's model curriculum. In addition, the curriculum development process model mandates the following components: a five-year professional development plan, the integration of technology and multicultural concepts in the program, and assessments to track student progress. During the 2004-2005 school year, the staff reviewed and revised its Social Studies scope and sequence to align with the State of Ohio Social Studies Content Standards. The District has aligned all course offerings with the new State Content Standards in preparation for the State's Achievement Assessment program for grades 3 – 8 and the Ohio Graduation Test.

Alternative Schooling Options

The District has partnered with Scioto Paint Valley Mental Health to offer a Team School in the evening for ninth and tenth grade students who have not adjusted to a high school schedule. These students may be involved in drugs and alcohol outside the school setting and as a result may not be able to handle the demands of a high school learning environment. Students earn four core academic credits plus receive an hour of counseling each evening.

The District also offers a Virtual Learning Program for families who want to work with their children at home, but desire to graduate from Chillicothe City Schools. Virtual Learning has course offerings for grades 2 through 12.

Extended Learning Opportunities

During the school year, the District along with Adena Regional Medical Center collaboratively offers a tutoring program for math and reading as well as a physical fitness program for elementary students at Mt. Logan and Tiffin. This Tecumseh Program meets five nights a week as well as through out the summer at the schools.

Over 400 students enrolled in the District's 2005 summer school program. Courses in Physical Education and Health were offered for credit at the high school level. Remedial courses or repeat sessions for credit were offered to middle and high school students who had failed a course in the 2004-2005 school year. Students who did not meet exit standards for the grades K-5 had Specialized Summer Intervention Plans which were developed collaboratively by the teacher and the parent.

Preparation to retake achievement and proficiency tests was provided for students who had failed portions of the Third Grade Reading Test, Ninth Grade Proficiency Test, or the Ohio Graduation Test (OGT). A special six-week intervention session was offered to grades K-5. This program, funded by the Ohio Department of Education and federal grants, extended learning for students who were still struggling at the end of the year. In addition, a three-week Jump Start program was offered to students entering kindergarten.

MAJOR INITIATIVES FOR THE FUTURE

Construction of New High School / Middle School Facility

The District is currently in the construction phase of its new high school / middle school facility. Ground breaking on the new facility took place in June 2005. As part of this process, the Board will be approving the program of requirements which will determine the space required to deliver the instructional services. Construction is anticipated to take two years.

Technology Initiatives

The District continues to place a significant emphasis on ways to reduce the total cost of ownership of computers and associated systems within the District by implementing technology standards and replacing obsolete equipment. Plans for the future include a digital phone system, as well as a video server for classroom teacher use. Implementation of a digital phone system would eliminate the need for a large number of the standard telephone lines currently in use in the District, thus significantly reducing the cost associated with the lines. In addition, the District continues to demonstrate a commitment to its technology plan approved last year by maintaining a special technology line item in the budget to provide additional funding for technology initiatives.

Chillicothe CSD Website

The District continues to improve and refine its website (<http://www.chillicothe.k12.oh.us/>). The site is currently available and its content is growing. Currently, employees can access the site to obtain budgetary information, as well as various standardized employee forms. The form repository is being added to every day and the goal is to have all forms available in this manner in the not too distant future. In addition, the minutes of Board of Education meetings, the current financial forecast of the District and a tax millage calculator are all new additions to the site. Plans are underway to make a host of other general financial and special interest information available. Eventually, this will reduce paperwork within the District and insure reliable information is available to both the staff and public. The goal is increased communication and efficiencies District-wide.

Literacy Projects

The District is working on a Literacy Project supported by the State Department of Education and John Carroll University to increase the literacy rate at the elementary level. The primary purpose of the literacy project is to support and monitor literacy rates and ensure that all children in the District have equal access to educational programs. Two proficiency coaches, employed under a grant, analyze building assessment data and work with principals to implement strategies to increase student performance. Quarterly assessments developed by teachers for grades K-10 parallel the Academic Content Standards and Achievement Tests. Administrative leadership training as well as pacing charts for math, reading, and writing for core academic teachers is also an important part of the project. Several Chillicothe teachers will serve as lead teachers for all Ross County schools who are just initiating the literacy project in their buildings.

FINANCIAL INFORMATION

Internal Control Structure

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

Grants

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

Budgetary Controls

The District maintains its accounts, appropriations, and other financial records in accordance with the procedures established and prescribed by the Auditor of State. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriation resolution approved by the Board of Education. Activities of all funds, except agency funds, are included in the annual appropriation resolution. Budget deadlines may be established to allow for budget amendments prior to year-end. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level of expenditures. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts at year-end are carried forward to succeeding years and are not re-appropriated. As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Financial Condition

The District has prepared financial statements in accordance with GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments." GASB 34 created basic financial statements for reports as follows:

Government-Wide Financial Statements- These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District reports no business-type activities.

Fund Financial Statements- These statements present information for individual major funds rather than by fund type. Non-major governmental funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and Fiduciary funds use the accrual basis of accounting.

Statement of Budgetary Comparisons- These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

As part of this reporting model, management is responsible for preparing a Management Discussion and Analysis for the District. This discussion is located in the financial section of this report following the audit opinion and provides an assessment of the District finances for fiscal year 2005 and the outlook for the future.

Risk Management

The District continues to protect its assets through a comprehensive insurance program. A schedule of insurance in force at June 30, 2005 is included in the Notes to the Basic Financial Statements Section of this report.

OTHER INFORMATION

Awards

Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Chillicothe City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

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

A certificate of Achievement is valid for a period of one year only. We believe our current report will conform to the high standards required by the Certificate of Achievement program.

ASBO Certificate of Excellence

The District also received the Association of School Business Officials International (ASBO) Certificate of Excellence on Financial Reporting award for the fiscal year ended June 30, 2004. This award certifies that the Comprehensive Annual Financial Report conforms to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials. This award is granted only after an intensive review of the financial report by an expert panel of certified public accountants and practicing school business officials. Receiving this award is recognition that a school system has met the highest standards of excellence in school financial reporting.

Chillicothe City School District staff members are proud of the fact that the GFOA and ASBO have awarded these certificates for the Comprehensive Annual Financial Report prepared by the District. It is the District's belief that the current report continues to conform to the standards set by the GFOA and ASBO and it will be submitted for review to determine its eligibility for a certificate.

Independent Audit

The State of Ohio Auditor's Office conducted the District's 2005 fiscal year audit. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on the Basic financial statements are included in the financial section of this report.

Acknowledgements

The preparation and publication of this Comprehensive Annual Financial Report on a timely basis could not have been possible without the cooperation of the entire Treasurer's Department. A special note of appreciation is extended to Balestra, Harr & Scherer Consulting, LLC for their aid in preparing this report.

Finally, this report would not have been possible without the continued support of the Board of Education who values quality financial information, which helps to make quality decisions. Without their leadership and commitment to excellence this report would not be possible.

Respectfully Submitted,



John D. Rose, CPA, Treasurer



Dr. Michael Trego, Superintendent

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Chillicothe City School District,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

CHILLICOTHE CITY SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2004

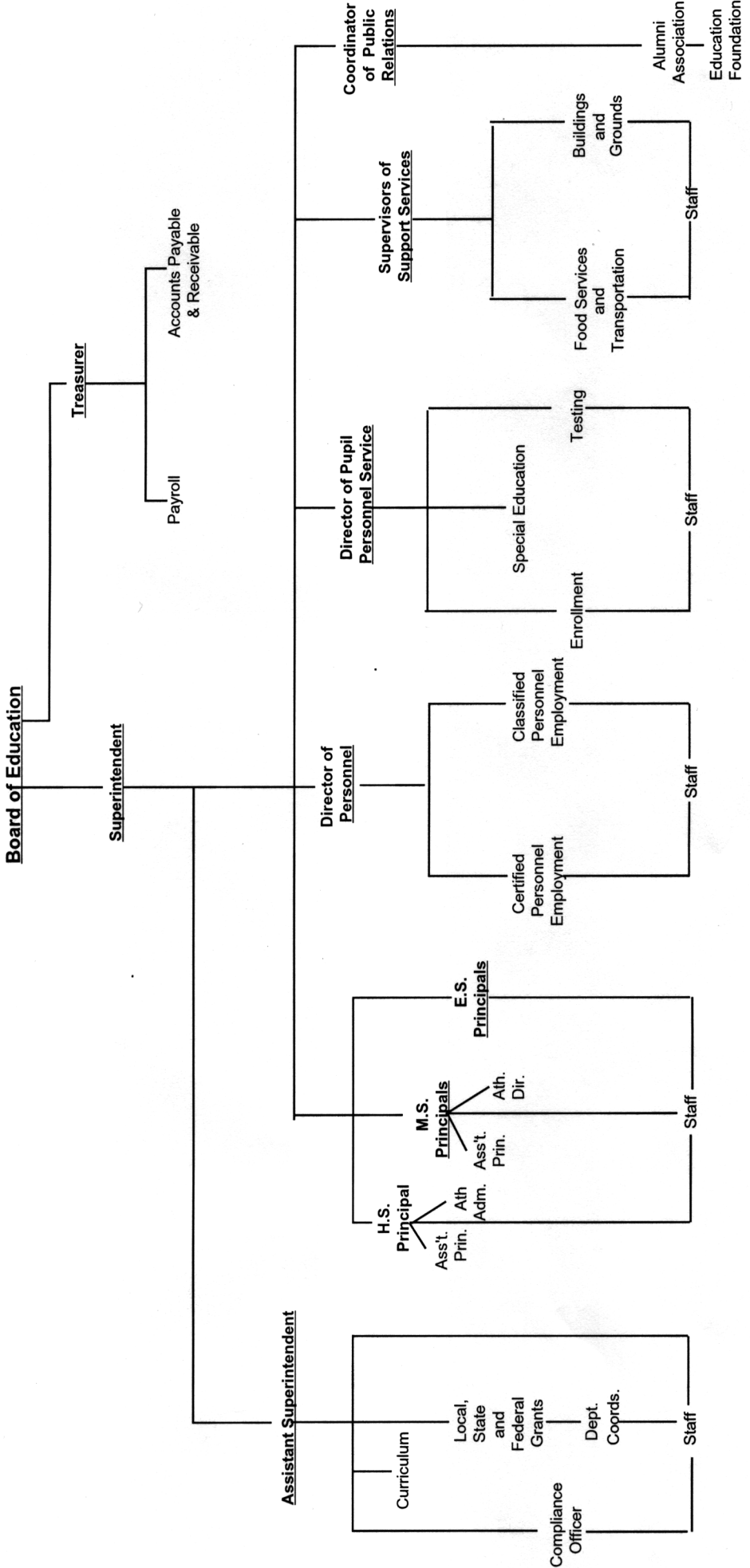
Upon recommendation of the Association's Panel of Review which has judged the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

James J. Tombs
President

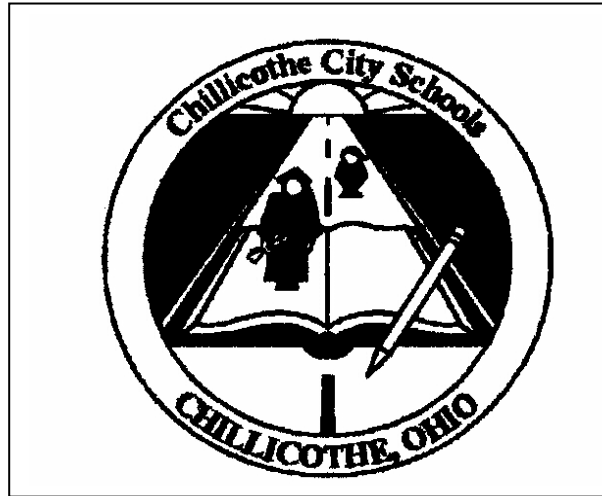
Barbara W. Keller
Executive Director

CHILLICOTHE CITY SCHOOLS Organizational Chart

File: CCA



CHILlicothe CITY SCHOOL DISTRICT



FINANCIAL SECTION



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Chillicothe City School District
Ross County
235 Cherry Street
Chillicothe, Ohio 45601

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 the Chillicothe City School District, Ross County, Ohio, (the District), as of and for the year ended June 30, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Chillicothe City School District, Ross County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

December 20, 2005

Chillicothe City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Chillicothe City School District's (the District) discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ended June 30, 2005. 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 financial 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 Governments*, 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

- The District's assets exceeded its liabilities at June 30, 2005 by \$5,982,249.
- The District's net assets of governmental activities decreased \$274,737.
- General revenues accounted for \$21,284,258 in revenue or 74 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$7,520,966 or 26 percent of total revenues of \$28,805,224.
- The District had \$29,079,961 in expenses related to governmental activities; only \$7,520,966 of these expenses was offset by program specific charges for services, operating grants, or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$21,284,258 were not adequate to provide for these programs.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Chillicothe City School District's financial situation as a whole and also give a detailed view of the District's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's 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 the amount of funds available for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District the General Fund, Debt service fund, and the Construction fund are the only three major funds.

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The analysis of the District as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

Chillicothe City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

These two statements report the District's net assets and changes to those assets. This change informs the reader whether the District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the District's financial well-being. Some of these factors include the District's tax base, current property tax laws in Ohio restricting revenue growth, the condition of capital assets, and required educational programs.

In the Statement of Net Assets and the Statement of Activities, the District has only one kind of activity.

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's funds begins on page 7. Fund financial statements provide detailed information about the District's major funds – not the District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the District is meeting legal responsibilities for use of grants. The Chillicothe City School District's major funds are the General, Debt Service and Construction 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 the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements. The fund financial statements can be found on Pages 14-17 of this report.

Proprietary Funds. The District maintains a proprietary fund. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for dental claims. The proprietary fund financial statements can be found on pages 19-21 of this report.

Reporting the District's Fiduciary Responsibilities. The District acts in trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 22 of this report. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-49 of this report.

Chillicothe City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

THE DISTRICT AS A WHOLE

As stated previously, 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 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets:		
Current Assets	\$50,228,159	\$48,150,828
Non-Current Assets	541,900	
Restricted Assets	9,248	29,957
Capital Assets, Net	11,311,353	8,780,610
Total Assets	62,090,660	56,961,395
Liabilities:		
Current and Other Liabilities	16,775,619	13,223,517
Long-Term Liabilities	39,332,792	37,480,892
Total Liabilities	56,108,411	50,704,409
Net Assets:		
Invested in Capital Assets, Net of Related Debt	7,397,067	7,155,610
Restricted	1,468,998	1,107,705
Unrestricted	(2,883,816)	(2,006,329)
Total Net Assets	\$5,982,249	\$6,256,986

The increase of \$2,530,743 in Capital Assets is primarily due to the construction in progress of the high school/middle school complex that took place during fiscal year 2005.

The increase of non current assets is due to issuance costs associated with the bonds issued during fiscal year 2005.

The increase in current assets and current liabilities is due to the increase in Taxes Receivable and Deferred Revenue which reflects a full year collection on the Bond Levy passed in the prior year.

An increase in the Long Term Liabilities resulted from \$974,881 in Capital Leases and \$1,040,254 in premiums on the bond issue during fiscal year 2005.

Chillicothe City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2005 and June 30, 2004.

Table 2
Change in Net Assets

	Governmental Activities	
	2005	2004
Revenues		
Program Revenues:		
Charges for Services	\$2,019,694	\$1,890,724
Operating Grants and Contributions	5,501,272	5,451,727
Total Program Revenues	7,520,966	7,342,451
General Revenues:		
Property Taxes	12,383,538	12,197,565
Grants and Entitlements not Restricted to Specific Programs	7,793,690	6,545,788
Gifts and Donations not Restricted to Specific Programs	24,476	26,833
Investment Earnings	925,457	171,276
Payments in Lieu of Taxes	61,605	0
Gain on Sale of Capital Assets	0	155,945
Other	95,492	201,561
Total General Revenues	21,284,258	19,298,968
Total Revenues	28,805,224	26,641,419
Program Expenses		
Instruction		
Regular	12,795,621	12,621,430
Special	3,233,613	3,046,814
Vocational	4,424	4,067
Adult/Continuing	2,111	0
Other	177,912	177,316
Support Services		
Pupil	1,633,299	1,709,709
Instructional	1,758,166	1,742,420
Board Of Education	51,964	59,859
Administration	1,842,171	2,061,528
Business & Fiscal	786,670	891,206
Maintenance	2,149,903	2,509,503
Pupil Transportation	874,516	865,188
Central	123,939	130,946
Operation of Non-Instructional Services	1,538,412	1,601,095
Extracurricular Activities	479,251	595,741
Interest & Fiscal Charges	1,627,989	491,345
Total Expenses	29,079,961	28,508,167
Net Assets at Beginning of Year	6,256,986	8,123,734
Increase (Decrease) in Net Assets	(274,737)	(1,866,748)
Net Assets at End of Year	\$5,982,249	\$6,256,986

The increase of \$1,247,902 in Grants and Entitlements is due to a one-time state catastrophic grant of \$1.361 million in 2005.

Investment earnings increased by \$754,181 in 2005. This is due to investment earnings generated from the proceeds of bonds issued in 2005.

The Bond issuance also resulted in an increase of \$1,136,644 in Interest and Fiscal Charges in 2005.

Chillicothe City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

The District implemented a freeze on base salaries and wages during the 2005 year as part of the collective bargaining agreements with both of the District's organized unions. This limited increases in payroll expenditures to incremental step and advanced educational increases.

Governmental Activities

Property taxes comprised 42 percent of revenue for governmental activities of the Chillicothe City School District for fiscal year 2005 and represent the largest sources of revenue. Since 1995, property tax revenue has increased 2.1%. Property tax growth has been limited in the past by H.B. 920 reduction factors, which restrict inflationary growth on existing property resulting from re-appraisal activity. Re-appraisals and valuation updates occur once every three years within the District. Growth has also been negatively impacted by the recent devaluations of MeadWestvaco.

Grants and entitlements comprised 46 percent of revenue for governmental activities during 2005. Since 1995, grant and entitlement revenue has increased 22.2%. This increase is inflated due to the District's receipt of a one time \$1.361 million catastrophic grant in 2005. Revenue growth, excluding the catastrophic grant, has been limited since 1995 primarily due to declining enrollment, which is a factor in determining grant and entitlement allocations. In addition, state budgetary decisions have also recently had a detrimental impact on unrestricted state aid growth.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 55 percent of governmental program expenses with support services comprising 31 percent of governmental expenses. The Board of Education relies on taxes to support increased student achievement within the school district.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2005 as compared to 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$16,213,681	\$(12,084,989)	\$15,849,627	\$(12,104,155)
Support Services	9,220,628	(7,274,220)	9,970,359	(7,723,773)
Operation of Non-instructional Services	1,538,412	(231,842)	1,601,095	(344,129)
Extracurricular Activities	479,251	(339,956)	595,741	(502,314)
Interest and Fiscal Charges	1,627,989	(1,627,989)	491,345	(491,345)
Total Expenses	\$29,079,961	\$(21,558,996)	\$28,508,167	\$(21,165,716)

THE DISTRICT'S FUNDS

Information about the District's major governmental funds begins on page 14. All of the District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$65,417,026 and expenditures and other financing uses of \$67,618,494. The net change in fund balance for the year was most significant in the Construction Fund.

Chillicothe City School District, Ohio
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 (Unaudited)

The fund balance of the General Fund decreased by \$271,225. This decrease was due primarily to the loss of revenue from grant and entitlement allocations resulting from the District's continued decline in enrollment. The catastrophic grant helped offset the loss of tax revenue from the MeadWestvaco devaluation.

The fund balance of the Construction Fund decreased by \$1,979,136. This decrease was primarily due to expenditures made for the construction in progress of the High School/Middle school facility.

The fund balance of the Debt Service Fund decreased by \$161,455. This decrease was primarily due to interest payments on the bonds.

General Fund Budgeting Highlights

The District's budget is adopted on a fund basis. Before the budget is adopted, the Board of Education reviews the detailed work papers of each object within the General Fund and then adopts the budget on a fund basis.

During 2005, there were minimal revisions to the General Fund budget. The District's ending unobligated cash balance was \$575,570.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4 shows the fiscal year 2005 balances compared to 2004.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2005	2004
Land & Improvements	\$704,354	\$720,020
Construction in Progress	2,119,084	77,388
Buildings and Improvements	4,564,830	4,810,002
Furniture and Equipment	3,643,607	2,977,606
Vehicles	279,478	195,594
Totals	\$11,311,353	\$8,780,610

The increase in capital assets from the prior year resulted from additions, deletions and depreciation. Construction work began on the new High School/Middle School facility which accounted for the bulk of the \$2,530,743 increase in assets.

Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 9).

Chillicothe City School District, Ohio
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 (Unaudited)

Debt

At June 30, 2005, the District had \$37,382,334 in notes, bonds and capital leases outstanding with \$280,631 due within one year. Table 5 summarizes the bonds and notes outstanding:

Table 5
 Outstanding Debt at Year End

Governmental Activities

	2005	2004
1999 General Obligation Notes	\$1,475,000	\$1,625,000
2004 Construction Bond Anticipation Notes	0	34,000,000
2005 Construction Bond	35,045,232	0
Capital Leases	862,102	0

The General Obligation Notes were issued in 1999 in the amount of \$2,390,000. The voted general obligation notes were issued for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The final payment is due in fiscal year 2013.

The Construction Bonds were issued in 2005 in the amount of \$34,000,000. The bond issue also included a premium in the amount of \$1,040,254 and accretion on the CAP bonds in the amount of \$85,078. The bonds were issued for the purpose of renovating and constructing buildings. Detailed information regarding long term debt is included in the notes to the basic financial statements (Note 14).

At June 30, 2005 the District's overall legal debt margin was \$9,021,676 with an unvoted debt margin of \$478,019.

Current Financial Related Activities

The District applied for and received a one time catastrophic grant in the amount of \$1.361 million. This grant was awarded to the District due to the unforeseen \$36 million devaluation of Personal Property Values by MeadWestvaco. This devaluation resulted in tax revenue losses of \$1.361 million.

The citizens of the District subsequently passed a 6 mill operating levy in May of 2005. Collections on this levy will begin in February 2006. As a result of this levy passage, the District's forecast does not indicate the potential for a negative balance by June 30, 2009. The District remains in a fiscal caution status by the Ohio Department of Education. The primary reasons for this status are the continued trend in declining enrollment, and the potential loss of revenue from any further personal property devaluations. The Department of Education, Division of School Finance continues to conduct monthly reviews of the District's financial condition. Additional information regarding subsequent financial events is discussed in more detail in Note 22 of the Basic Financial Statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the District's financial and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact John Rose, Treasurer, Chillicothe City School District, 235 Cherry Street, Chillicothe, Ohio 45601.

Basic Financial Statements

Chillicothe City School District
Statement of Net Assets
as of June 30, 2005

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$34,457,550
Accrued Interest Receivable	188,885
Accounts Receivable	4,585
Intergovernmental Receivable	442,474
Taxes Receivable	15,134,665
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	9,248
Unamortized Bond Issuance Costs	541,900
Non-Depreciable Capital Assets	2,741,294
Depreciable Capital Assets, net	8,570,059
<i>Total Assets</i>	\$62,090,660
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$30,152
Accrued Wages and Benefits	2,151,833
Intergovernmental Payable	665,431
Accrued Interest Payable	141,873
Matured Compensated Absences Payable	110,690
Deferred Revenue	13,554,746
Early Retirement Incentive Payable	120,894
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	493,922
Due in More Than One Year	38,838,870
<i>Total Liabilities</i>	56,108,411
 NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	7,397,067
Restricted for Capital Projects	989,145
Restricted for Permanent Fund:	
Non-Expendable	450,000
Expendable	29,853
Unrestricted	(2,883,816)
<i>Total Net Assets</i>	\$5,982,249

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales		Operating Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$12,795,621	\$963,130	\$1,742,468	(\$10,090,023)
Special	3,233,613	0	1,423,095	(1,810,518)
Vocational	4,424	0	0	(4,424)
Adult/Continuing	2,111	0	0	(2,111)
Other	177,912	0	0	(177,912)
Support Services:				
Pupils	1,633,299	47,959	511,660	(1,073,680)
Instructional Staff	1,758,166	175,686	627,153	(955,327)
Board of Education	51,964	0	0	(51,964)
Administration	1,842,171	0	82,422	(1,759,749)
Fiscal	728,461	0	42,025	(686,436)
Business	58,209	0	0	(58,209)
Operation and Maintenance of Plant	2,149,903	89,227	1,234	(2,059,442)
Pupil Transportation	874,516	0	355,160	(519,356)
Central	123,939	0	13,882	(110,057)
Operation of Non-Instructional Services	1,538,412	604,397	702,173	(231,842)
Extracurricular Activities	479,251	139,295	0	(339,956)
Interest and Fiscal Charges	1,627,989	0	0	(1,627,989)
Total Governmental Activities	29,079,961	2,019,694	5,501,272	(21,558,995)

General Revenues:

Property Taxes Levied for:	
General Purposes	10,767,539
Debt Service	1,057,967
Capital Projects	558,032
Grants and Entitlements	
not Restricted to Specific Programs	7,793,690
Gifts and Donations not Restricted to	
Specific Programs	24,476
Investment Earnings	925,457
Payments in Lieu of Taxes	61,605
Miscellaneous	95,492
Total General Revenues	21,284,258
Change in Net Assets	(274,737)
Net Assets Beginning of Year	6,256,986
Net Assets End of Year	\$5,982,249

The notes to the basic financial statements are an integral part of this statement.



Chillicothe City School District
Balance Sheet
Governmental Funds
as of June 30, 2005

	<u>General</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$843,142	\$18,028	\$31,485,870	\$2,029,074	\$34,376,114
Accrued Interest Receivable	10,000	0	176,884	2,001	188,885
Accounts Receivable	4,122	0	0	463	4,585
Interfund Receivable	142,641	0	342,841	0	485,482
Intergovernmental Receivable	12,490	0	0	429,984	442,474
Taxes Receivable	12,159,595	1,940,289	0	1,034,781	15,134,665
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	9,248	0	0	0	9,248
Total Assets	<u>\$13,181,238</u>	<u>\$1,958,317</u>	<u>\$32,005,595</u>	<u>\$3,496,303</u>	<u>\$50,641,453</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$13,971	\$0	\$4,733	\$11,448	\$30,152
Accrued Wages and Benefits	1,633,304	0	0	518,529	2,151,833
Interfund Payable	0	342,841	0	142,641	485,482
Intergovernmental Payable	509,072	0	0	156,359	665,431
Matured Compensated Absences Payable	58,366	0	0	52,324	110,690
Deferred Revenue	11,343,820	1,768,523	0	1,053,483	14,165,826
Early Retirement Incentive Payable	77,314	0	0	43,580	120,894
Total Liabilities	<u>13,635,847</u>	<u>2,111,364</u>	<u>4,733</u>	<u>1,978,364</u>	<u>17,730,308</u>
Equity:					
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	263,552	0	1,753,755	99,770	2,117,077
Reserved for Property Taxes	815,775	171,766	0	90,158	1,077,699
Reserved for Bus Purchases	9,248	0	0	0	9,248
Reserved for Library Purposes	0	0	0	450,000	450,000
Unreserved, Undesignated, Reported in:					
General Fund	(1,543,184)	0	0	0	(1,543,184)
Special Revenue Funds	0	0	0	6,267	6,267
Debt Service Funds	0	(324,813)	0	0	(324,813)
Capital Projects Funds	0	0	30,247,107	841,891	31,088,998
Permanent Funds	0	0	0	29,853	29,853
Total Fund Balances	<u>(454,609)</u>	<u>(153,047)</u>	<u>32,000,862</u>	<u>1,517,939</u>	<u>32,911,145</u>
Total Liabilities and Fund Balances	<u>\$13,181,238</u>	<u>\$1,958,317</u>	<u>\$32,005,595</u>	<u>\$3,496,303</u>	<u>\$50,641,453</u>

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
As of June 30, 2005

Total Governmental Fund Balances		\$ 32,911,145
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.		11,311,353
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	502,220	
Intergovernmental	108,860	
Total		611,080
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		81,436
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		541,900
Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(141,873)	
Compensated Absences	(1,950,458)	
Capital Lease Obligations	(862,102)	
General Obligation Bonds	(34,090,078)	
Premium on Bonds Issued	(955,154)	
General Obligation Notes	(1,475,000)	
Total		(39,474,665)
Net Assets of Governmental Activities		\$ 5,982,249

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	<u>General</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$10,671,556	\$998,436	\$0	\$525,656	\$12,195,648
Intergovernmental	8,292,059	99,233	0	4,894,074	13,285,366
Interest	845,577	0	67,292	12,588	925,457
Tuition and Fees	944,532	0	0	241,506	1,186,038
Rent	89,227	0	0	0	89,227
Extracurricular Activities	18,760	0	0	121,272	140,032
Gifts and Donations	24,476	0	0	60,874	85,350
Customer Sales and Services	50,589	0	0	553,808	604,397
Miscellaneous	18,421	0	0	77,071	95,492
Payments in Lieu of Taxes	53,411	5,351	0	2,843	61,605
<i>Total Revenues</i>	<u>21,008,608</u>	<u>1,103,020</u>	<u>67,292</u>	<u>6,489,692</u>	<u>28,668,612</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	10,379,181	0	0	2,000,645	12,379,826
Special	1,990,240	0	0	1,219,731	3,209,971
Vocational	3,794	0	0	0	3,794
Other	168,528	0	0	0	168,528
Support Services:					
Pupils	1,097,554	0	0	541,358	1,638,912
Instructional Staff	883,498	0	0	858,772	1,742,270
Board of Education	48,864	0	0	1,675	50,539
Administration	1,784,708	0	0	107,760	1,892,468
Fiscal	666,319	15,675	0	58,979	740,973
Business	55,133	0	0	0	55,133
Operation and Maintenance of Plant	2,011,749	0	0	311,982	2,323,731
Pupil Transportation	686,463	0	0	160,989	847,452
Central	57,149	0	0	51,115	108,264
Operation of Non-Instructional Services	0	0	0	1,330,986	1,330,986
Extracurricular Activities	381,577	0	0	99,154	480,731
Capital Outlay	974,881	0	2,046,428	234,436	3,255,745
Debt Service:					
Principal	262,779	34,000,000	0	0	34,262,779
Interest	143,608	1,727,800	0	0	1,871,408
Insurance Costs	0	561,254	0	0	561,254
<i>Total Expenditures</i>	<u>21,596,025</u>	<u>36,304,729</u>	<u>2,046,428</u>	<u>6,977,582</u>	<u>66,924,764</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>(587,417)</u>	<u>(35,201,709)</u>	<u>(1,979,136)</u>	<u>(487,890)</u>	<u>(38,256,152)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers - In	0	0	0	693,730	693,730
Proceeds from Sale of Capital Assets	35,041	0	0	4,508	39,549
Proceeds from Sale of Bonds	0	34,000,000	0	0	34,000,000
Premium on Bonds Issued	0	1,040,254	0	0	1,040,254
Inception of Capital Lease	974,881	0	0	0	974,881
Transfers - Out	(693,730)	0	0	0	(693,730)
<i>Total Other Financing Sources and Uses</i>	<u>316,192</u>	<u>35,040,254</u>	<u>0</u>	<u>698,238</u>	<u>36,054,684</u>
<i>Net Change in Fund Balances</i>	(271,225)	(161,455)	(1,979,136)	210,348	(2,201,468)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>(183,384)</u>	<u>8,408</u>	<u>33,979,998</u>	<u>1,307,591</u>	<u>35,112,613</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$454,609)</u>	<u>(\$153,047)</u>	<u>\$32,000,862</u>	<u>\$1,517,939</u>	<u>\$32,911,145</u>

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (2,201,468)

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

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

Capital Asset Additions	3,643,302	
Current Year Depreciation	(1,003,885)	
Total		2,639,417

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

Proceeds from Sale of Capital Assets	(39,549)	
Loss on Disposal of Capital Assets	(69,125)	
Total		(108,674)

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

Taxes	187,890	
Intergovernmental	(51,267)	
Total		136,623

New capital lease obligations in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(974,881)

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

34,262,779

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

6,468

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets.

Premium	85,100	
Issuance Costs	(19,354)	
Annual Accretion of Capital Appreciation Bonds	(90,078)	
Total		(24,332)

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

(34,000,000)

Debt issuance costs reported in the statement of revenues, expenditures, and changes in fund balances that are reported as expenditures are not reported as expenses in the statement of activities.

561,254

Premiums from the sale of bonds in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(1,040,254)

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

Increase in Compensated Absences	(94,566)	
Decrease in Interest Payable	267,750	
Decrease in Intergovernmental Payable	295,147	
Total		468,331

Net Change in Net Assets of Governmental Activities \$ (274,737)

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
REVENUES:				
Property and Other Local Taxes	\$11,707,041	\$11,707,041	\$10,837,076	(\$869,965)
Intergovernmental	6,599,389	6,599,927	8,279,569	1,679,642
Interest	669,288	669,342	836,855	167,513
Tuition and Fees	827,240	827,306	945,159	117,853
Rent	66,929	66,934	86,288	19,354
Extracurricular Activities	0	0	18,760	18,760
Gifts and Donations	17,848	17,849	24,476	6,627
Customer Sales and Services	58,005	58,010	49,965	(8,045)
Payments in Lieu of Taxes	85,000	85,000	53,411	(31,589)
Miscellaneous	126,787	126,051	51,962	(74,089)
Total Revenues	20,157,527	20,157,460	21,183,521	1,026,061
EXPENDITURES:				
Current:				
Instruction:				
Regular	10,194,782	10,197,151	10,574,409	(377,258)
Special	1,960,081	1,962,475	1,996,772	(34,297)
Vocational	8,369	8,369	3,790	4,579
Other	170,398	170,389	203,013	(32,624)
Support Services:				
Pupils	1,054,488	1,051,935	1,072,634	(20,699)
Instructional Staff	1,209,666	1,207,825	851,024	356,801
Board of Education	72,974	72,970	48,636	24,334
Administration	1,827,045	1,826,948	1,769,810	57,138
Fiscal	650,050	650,015	681,661	(31,646)
Business	99,306	99,301	93,780	5,521
Operation and Maintenance of Plant	1,998,953	1,998,847	2,087,653	(88,806)
Pupil Transportation	764,759	764,719	677,429	87,290
Central	12,309	12,308	57,149	(44,841)
Operation of Non-Instructional Services	561	561	0	561
Extracurricular Activities	417,063	417,041	380,953	36,088
Debt Service:				
Principal	150,000	150,000	150,000	0
Interest	81,250	81,250	81,250	0
Total Expenditures	20,672,054	20,672,104	20,729,963	(57,859)
Excess of Revenues Over (Under) Expenditures	(514,527)	(514,644)	453,558	968,202
OTHER FINANCING SOURCES AND USES:				
Transfers In	736,217	436,276	238	(436,038)
Refund of Prior Year Expenditures	44,619	44,623	1,809	(42,814)
Advances In	57,203	57,207	64,101	6,894
Transfers Out	(896,106)	(596,108)	(693,730)	(97,622)
Refund of Prior Year Receipts	0	0	(56)	(56)
Advances Out	(19,696)	(19,694)	(142,641)	(122,947)
Total Other Financing Sources and Uses	(77,763)	(77,696)	(770,279)	(692,583)
Net Change in Fund Balances	(592,290)	(592,340)	(316,721)	275,619
Fund Balance at Beginning of Year	643,364	643,364	643,364	0
Prior Year Encumbrances Appropriated	248,927	248,927	248,927	0
Fund Balance at End of Year	\$300,001	\$299,951	\$575,570	\$275,619

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Net Assets
Proprietary Fund
as of June 30, 2005

	<u><i>Governmental</i></u> <u><i>Activities</i></u> Internal Service Fund
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$81,436</u>
<i>Total Assets</i>	<u><u>81,436</u></u>
NET ASSETS:	
Unrestricted	<u><u>\$81,436</u></u>

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Revenues, Expenses and
Changes In Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	<i>Governmental Activities</i>
	Internal Service Fund
Operating Revenues:	
Charges for Services	\$106,149
<i>Total Operating Revenue</i>	106,149
Operating Expenses:	
Claims Expense	84,621
Purchased Services	15,060
<i>Total Operating Expenses</i>	99,681
Change in Net Assets	6,468
Net Assets at Beginning of Year	74,968
Net Assets at End of Year	\$81,436

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	Governmental Activities
	Internal Service Fund
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Transaction with Other Funds	\$106,149
Cash Payments to Suppliers for Services	(15,060)
Cash Payments for Claims	(99,796)
<i>Net Cash Used for Operating Activities</i>	(8,707)
Cash and Cash Equivalents at Beginning of Year	90,143
Cash and Cash Equivalents at End of Year	\$81,436
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
Operating Income	\$6,468
<i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	(15,175)
<i>Net Cash Provided by Operating Activities</i>	(\$8,707)

The notes to the basic financial statements are an integral part of this statement.

Chillicothe City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
as of June 30, 2005

	<u>Agency</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$81,166</u>
<i>Total Assets</i>	<u><u>81,166</u></u>
LIABILITIES:	
Current Liabilities:	
Due to Students	68,261
Undistributed Monies	<u>12,905</u>
<i>Total Liabilities</i>	<u><u>\$81,166</u></u>

The notes to the basic financial statements are an integral part of this statement.

CHILlicothe CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 1-DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Chillicothe 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 1849 through the consideration of existing land areas and school districts. The School District serves an area of approximately 22 square miles. It is located in Ross County, and includes all of the Village of Massieville, the City of Chillicothe and a portion of Scioto Township. It is staffed by 130 non-certified employees, 211 certificated full-time teaching personnel and 13 administrative employees who provide services to 3,196 students and other community members. The School District currently operates six instructional buildings, one administrative building, one maintenance building and one bus garage.

Reporting Entity:

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

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

The following entities which perform activities within the School District’s boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organizations
- Ross-Pike Educational Service District
- City of Chillicothe

The following activities are included within the reporting entity:

Bishop Flaget Parochial School-Within the School District boundaries, the Bishop Flaget Parochial School, a school that provides classes for kindergarten through eighth grade, is operated through the Columbus Catholic Diocese. Current State legislation provides funding to this parochial school. Monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

CHILlicothe City School District
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 1-DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District is associated with four organizations, three of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, Pickaway-Ross Career and Technology Center, Great Seal Education Network of Tomorrow, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation-Fund Accounting

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District's functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

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

General Fund

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Construction Fund

A fund used to account for the proceeds from the sale of bond anticipation notes, except premium and accrued interest were paid into this fund in the prior year. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

CHILlicothe CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the Chillicothe City School District has no Enterprise Funds.

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Chillicothe City School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee dental claims which ended on December 31, 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. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

B. Basis of Presentation and Measurement Focus

Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service Fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

Measurement Focus

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

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and 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. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School 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 as an advance, investment earnings, tuition, grants, and fees.

Deferred Revenue

Deferred Revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgets

Budgetary Process

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

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in the budgetary statements reflect the amounts in the 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 the fiscal year 2005.

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

Encumbrances

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis.

D. Cash and Cash Equivalents

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

During fiscal year 2005, investments were limited to STAROhio and U.S. Government Agency Securities. 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 deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2005. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$845,577. The Construction major fund, the Food Service Fund and the Permanent Fund earned interest revenue of \$67,292, \$2,655 and \$9,933, respectively.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-20 years
Building and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	4-8 years

F. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

G. Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term loans, and capital leases are recognized as a liability on the fund financial statement when due.

I. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on the financial statements.

J. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses. A corresponding fund balance reserve has also been established for this amount. See Note 18 for additional information regarding set-asides.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements 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 School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, school bus purchases, library purposes, and property taxes.

*CHILlicothe City School District
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005*

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriation under State statute.

M. Operating Revenues and Expenses

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

N. Estimates

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

O. Unamortized Bond Issuance Costs/Bond Premium and Discount

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

NOTE 3-CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement No. 40 had no affect on the School District's financial statements.

NOTE 4-ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2005, the General Fund, Debt Service Fund, Uniform School Supplies, Public School Preschool, Disadvantaged Pupil Impact Aid, Title VI-B, Title I, Miscellaneous State Grants and Title VI Special Revenue Funds had deficit fund balances of \$454,609, \$153,047, \$22,247, \$13,778, \$173,185, \$9,547, \$21,017, \$482 and \$1,228 respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 4-ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Expenditures Exceeding Appropriations

At year end, expenditures exceeded appropriations in the General Fund, the Uniform School Supplies, Teacher Development, and Auxiliary Service non-major special revenue funds in the amounts of \$278,484, \$21,169, \$6,622, and \$364, respectively.

C. Appropriations Exceeding Estimated Resources

For the original budget, appropriations exceed estimated resources in the Public School Support, Improving Teacher Quality, and Miscellaneous Federal Grants non-major funds in the amount of \$32,874, \$133, and \$39, respectively.

NOTE 5-BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – (Non-GAAP Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$271,225)
Revenue Accruals	(468,861)
Expenditure Accruals	700,189
Encumbrances	<u>(276,824)</u>
Budget Basis	<u>(\$316,721)</u>

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 6-DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasury Asset Reserve of Ohio (STAR Ohio).

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 6-DEPOSITS AND INVESTMENTS (Continued)

8. Certain banker's acceptance and commercial paper notes for a period not to exceed on hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interest rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures as of June 30, 2005, \$7,208,106 of the School District's bank balance of \$7,308,106 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least on hundred five percent of the deposits being secured.

As of June 30, 2005, the District had the following investments and maturities.

Investment Type	Fair Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
StarOhio	\$ 1,015,176				
FNMA Notes	8,946,571	\$ 5,391,301	\$ -	\$ 986,544	\$ 2,568,726
FHLB Notes	8,365,310	1,133,597	3,471,886	1,975,873	1,783,954
FHLMC Notes	9,241,063	3,704,332	3,565,201	1,971,530	0
	<u>\$ 27,568,120</u>	<u>\$ 10,229,230</u>	<u>\$ 7,037,087</u>	<u>\$ 4,933,947</u>	<u>\$ 4,352,680</u>

Interest Rate Risk. As a means to limiting its exposure to fair value losses rising from rising interest rates and according to state law, investment portfolio maturities are limited to five years or less.

Credit Risk. The District's investments in FNMA, FHLB, and FHLMC were each rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned StarOhio an AAAM money market rating.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 6-DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2005:

Investment Type	Fair Value	% of Total
StarOhio	\$ 1,015,176	4%
FNMA Notes	\$ 8,946,571	32%
FHLB Notes	\$ 8,365,310	30%
FHLMC Notes	\$ 9,241,063	34%
	<u>\$ 27,568,120</u>	<u>100%</u>

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments to the Statement of Net Assets of June 30, 2005:

Investments (summarized above)	\$ 27,568,120
Carrying amount of District's deposits	\$ 6,979,844
Total	\$ 34,547,964
Governmental Activities	
Governmental Funds:	
Cash and Investments	\$ 34,457,550
Restricted Cash	\$ 9,248
Total Cash and Investments-governmental activities	\$ 34,466,798
Agency Fund- Cash and Investments	\$ 81,166
Total	\$ 34,547,964

NOTE 7-PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during the calendar 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) are for calendar 2004 taxes.

2005 real property taxes are levied after April 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after April 1, 2005 and are collected in 2005 with real property taxes.

*CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005*

NOTE 7-PROPERTY TAXES (Continued)

2005 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The assessed values upon which fiscal year 2005 taxes were collected are:

	<u>2004 Second-Half Collections</u>		<u>2005 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and other Real Estate	\$328,091,340	67.03%	\$354,642,030	74.19%
Public Utility	24,417,050	4.99%	24,280,980	5.08%
Tangible Personal Property	<u>136,938,100</u>	<u>27.98%</u>	<u>99,095,610</u>	<u>20.73%</u>
Total Assessed Value	<u>\$ 489,446,490</u>	<u>100.00%</u>	<u>\$478,018,620</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed valuation	 \$37.70		 \$44.67	

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005, was \$815,775 in the General Fund, \$171,766 in the Debt Service Fund and \$90,158 in the Permanent Improvement Fund.

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.

NOTE 8-RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, accounts (rent, tuition and student fees) interfund, accrued interest and intergovernmental grants. All receivables are considered collectible in full due the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 8-RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables is as follows:

General Fund	\$12,490
<i>Special Revenue Funds:</i>	
Title I	136,322
Title VI	1,157
Title VI-B	159,737
Drug Free School	4,699
Improving Teacher Quality	53,678
Ohio Reads	5,683
Teacher Development	33,858
Public School Preschool	30,767
Miscellaneous Federal Grant	<u>4,083</u>
<i>Total Non-Major Funds:</i>	<u>429,984</u>
Total All Funds	<u>\$442,474</u>

NOTE 9-CAPITAL ASSETS

Capital assets activity of the fiscal year ended June 30, 2005, was as follows:

	Ending Balance 6/30/04	Additions	Deletions	Ending Balance 6/30/05
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$77,388	\$2,041,696	\$0	\$2,119,084
Land	<u>622,210</u>	<u>0</u>	<u>0</u>	<u>622,210</u>
Total Capital Assets, Not Being Depreciated	<u>699,598</u>	<u>2,041,696</u>	<u>0</u>	<u>2,741,294</u>
Capital Assets Being Depreciated				
Land Improvements	738,579	0	0	738,579
Building & Improvements	14,717,695	232,458	0	14,950,153
Furniture and Equipment	5,681,537	1,235,073	(694,010)	6,222,600
Vehicles	<u>1,084,024</u>	<u>134,075</u>	<u>(199,392)</u>	<u>1,018,707</u>
Total Capital Assets, Being Depreciated	<u>22,221,835</u>	<u>1,601,606</u>	<u>(893,402)</u>	<u>22,930,039</u>
Less Accumulated Depreciation:				
Land Improvements	(640,769)	(15,666)	0	(656,435)
Buildings and Improvements	(9,907,693)	(477,630)	0	(10,385,323)
Furniture and Equipment	(2,703,931)	(460,398)	585,336	(2,578,993)
Vehicles	<u>(888,430)</u>	<u>(50,191)</u>	<u>199,392</u>	<u>(739,229)</u>
Total Accumulated Depreciation	<u>(14,140,823)</u>	<u>*(1,003,885)</u>	<u>784,728</u>	<u>(14,359,980)</u>
Total Capital Assets Being Depreciated, Net	<u>8,081,012</u>	<u>597,721</u>	<u>(108,674)</u>	<u>8,570,059</u>
Governmental Activities Capital Assets, Net	<u>\$8,780,610</u>	<u>\$2,639,417</u>	<u>\$(108,674)</u>	<u>\$11,311,353</u>

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 9-CAPITAL ASSETS (Continued)

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

Instruction:	
Regular	\$566,484
Special	27,604
Vocational	643
Adult/Continuing	2,111
Other	9,384
Support Services:	
Pupil	7,071
Instructional Staff	19,154
Administration	11,993
Board of Education	1,690
Business	4,310
Fiscal	14,925
Operation & Maintenance of Plant	27,569
Pupil Transportation	58,267
Central	15,673
Non-Instructional Services	227,755
Extracurricular Activities	9,252
Total Depreciation Expense	\$1,003,885

NOTE 10-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 2005, the School District contracted with Neil Coleman Insurance for liability, property, fleet, inland marine, and boiler and machinery insurance. Coverages provided are as follows:

<i>General Liability:</i>	
General Aggregate Limit	\$2,000,000
Each Occurrence Combined Single Limit	1,000,000
Medical Expense Limit (Any One Person)	15,000
<i>Employee Benefit Liability (1,000 Deductible):</i>	
Annual Policy Aggregate Limit	3,000,000
Each Wrongful Account Limit	1,000,000
<i>Auto Liability:</i>	
Per Accident Liability	1,000,000
<i>Stop Gap:</i>	
Each Accident	1,000,000
Disease Each Employee	1,000,000
Disease Policy Limit	1,000,000
<i>Property Insurance:</i>	
Building/Contents (\$1,000 Deductible)	
Including EDP, Inland Marine – Musical Instr.	59,925,717

*CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005*

NOTE 10-RISK MANAGEMENT (Continued)

The building and contents coverage is provided on a blanket, agreed value, replacement cost basis.

Fleet Insurance:

Combined Single Limit-Each Accident	1,000,000
Medical Payments-Per Person (Including Extended Medical)	5,000
Uninsured and Underinsured Motorist	
Bodily Injury-Combined Single Limit-Each Accident	1,000,000
Physical Damage	Actual Cash Value
Comprehensive (Bus \$1,000, Other \$250 Deductible)	
Collision (Bus \$1,000, Other \$500 Deductible)	

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Dental insurance prior to January 1, 2005 was offered to employees through a self-insurance internal service fund. Klais and Company, Inc., the School District's third party administrator, informs the School District of claim payments needed each week, who in turn pays the claims on the School District's behalf.

The Chillicothe City School District provides medical insurance through a private carrier, Anthem Blue Cross/Blue Shield. The School District also provides dental insurance through a private carrier, Core Source. No claims liability existed at June 30, 2005. Changes in claims activity for the past three years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2003	\$344,151	\$2,746,356	\$2,759,993	\$330,514
2004	330,514	157,877	473,216	15,175
2005	15,175	84,621	99,796	0

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 11-DEFINED BENEFIT PENSION PLANS

A. 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 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent 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 percent 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$476,836, \$404,824 and \$269,493; 48 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$244,699 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

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

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

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 11-DEFINED BENEFIT PENSION PLANS (Continued)

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,570,794, \$1,589,348 and \$1,701,123; 84 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$256,085 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12-POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$121,422 for fiscal year 2005.

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

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

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 12-POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$261,790 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 13-EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 275 days for administrators, 265 days for certified personnel, and 255 days for classified personnel. Upon retirement, payment is made for 28 percent of accrued, but unused sick leave credit to a maximum of 70 days for administrators, and 57.96 days for certificated employees. Payment to classified employees is 40 percent of accrued, but unused sick leave credit to a maximum of 68.8 days.

B. Life and Accident Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Ohio National Life Insurance Company.

C. Deferred Compensation

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

CHILICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 13-EMPLOYEE BENEFITS (Continued)

D. Retirement Incentive

The School District has a Retirement Incentive program. Participation is open to certified employees and administrators who have at least ten years of consecutive service with the Chillicothe City School District and have at least thirty years of service credit in one of the state Retirement Systems. The employee must submit a written notice of retirement by June 1, with the effective date of retirement no later than August 1.

The incentive payment is a percentage of the employee's final salary (excluding supplemental contracts) based on total service credit as follows:

<u>Years of Service</u>	<u>Percent of Final Salary</u>
30 years	40%
31 years	25%
32 years	20%
33 years	15%
34 years	10%
35 years	0%

Upon proof of retirement, an employee may choose to receive the retirement incentive payment within 120 days after the effective date of retirement, or may elect to receive this payment on January 15 of the following calendar year. Retirement incentive payments are classified as liabilities in the fund financial statements only to the extent they are due payment during the current year. Payments are classified as "Early Retirement Incentive Payable" in the Statement of Net Assets.

E. Attendance Bonus for Classified Employees

Absences from work are counted from July 1 through June 30th each year. Classified employees may be eligible for an "Attendance Bonus" for not using days for sick, personal, or leave without pay. This is payable the following July of the fiscal year. For fiscal year 2005, no employees were eligible to take advantage of this benefit.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 14-LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

Long-Term Liabilities

	Outstanding 06/30/04	Additions	Deductions	Outstanding 06/30/05	Amounts Due within One Year
Governmental Activities:					
General Obligation Notes:					
1999 Energy Conservation Improvement Notes 5%	\$ 1,625,000	\$ -	\$ 150,000	\$ 1,475,000	\$ 155,000
General Obligation Bonds:					
2005 Construction General Obligation Bonds- Serial and Term 2-5.25%					
Premium	0	33,205,000	0	33,205,000	5,000
		229,967	7,930	222,037	0
2005 Construction Capital Appreciation Bonds 12.274-12.306%					
Premium	0	885,078	0	885,078	0
	0	810,287	77,170	733,117	0
Total General Obligation Bonds	0	35,130,332	85,100	35,045,232	5,000
Bond Anticipation Notes:					
2004 Construction Bond Anticipation Notes- 5.05%					
	34,000,000	0	34,000,000	0	0
Capital Leases	0	974,881	112,779	862,102	120,631
Compensated Absences	1,855,892	1,950,458	1,855,892	1,950,458	213,291
Total Governmental Activities Long Term Obligations	\$ 37,480,892	\$ 38,055,671	\$ 36,203,771	\$ 39,332,792	\$ 493,922

1999 Energy Conservation Improvement Notes - In the fiscal year 1999, the School District issued \$2,390,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Sections 133.06 (G) and 3313.372. The notes were issued for a 15-year period with a final maturity date of 2013. These notes will be retired from the General Fund.

2005 Construction General Obligation Bonds - On July 1, 2004, general obligation bonds were issued for the retirement of the bond anticipation notes that were used for renovating and constructing school buildings in the amount of \$34,000,000. The bond issue included serial and term bonds (shown as general obligation bonds in the table above), and capital appreciation bonds, in the amount of \$20,045,000, \$13,160,000, and \$795,000, respectively. The serial bonds will be paid from 2005-2026; the term bonds will be paid during 2032; and the capital appreciation bonds will be paid from 2012-2014. The bonds will be paid from the Debt Service Fund from tax revenue.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 14-LONG-TERM OBLIGATIONS (Continued)

The term bonds maturing on December 1, 2032 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, from 2027 through 2031 at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2027	\$ 1,935,000
2028	2,030,000
2029	2,135,000
2030	2,240,000
2031	2,355,000

Unless otherwise called for redemption, the remaining \$2,465,000 principal amount of the term bonds due December 1, 2032 is to be paid at stated maturity.

The term bonds maturing on or after December 1, 2015 are subject to optional redemption in whole or in part on any date in inverse order of maturity and by lot within a maturity, at the option of the School District on or after December 1, 2014 at 100% of the principal amount to be redeemed, which is par, plus accrued interest to the redemption date.

The capital appreciation bonds will mature in the years 2012 through 2014. The maturity of the bonds is \$2,450,000. For 2005, \$90,078 was accreted for a total bond value of \$885,078.

Compensated absences payable will be paid from the funds in which the employees were paid.

The School District's overall legal debt margin was \$9,021,676, the energy conservation debt margin was \$2,827,168 and the unvoted debt margin was \$478,019 at June 30, 2005.

Principal and interest requirements to retire general obligation debt at June 30, 2005 are as follows:

Fiscal Year Ending	Governmental Activities			
	General Obligation Bonds		General Obligation Notes	
	Principal	Interest	Principal	Interest
2006	\$ 5,000	\$ 1,611,852	\$ 155,000	\$ 73,750
2007	450,000	1,606,852	165,000	66,000
2008	460,000	1,595,807	170,000	57,750
2009	575,000	1,581,087	180,000	49,250
2010	590,000	1,562,875	190,000	40,250
2011-2015	1,360,000	9,229,549	615,000	62,500
2016-2020	5,490,000	6,908,810	-	-
2021-2025	7,530,000	5,251,685	-	-
2026-2030	9,685,000	2,752,581	-	-
2031-2035	7,060,000	243,750	-	-
Totals	\$ 33,205,000	\$ 32,344,848	\$ 1,475,000	\$ 349,500

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 14-LONG-TERM OBLIGATIONS (Continued)

Fiscal Year	General Obligation Bonds	
	Capital Appreciation	
	Ending	Interest
2006	\$ -	\$ -
2007	-	-
2008	-	-
2009	-	-
2010	-	-
2011-2015	795,000	2,450,000
Totals	\$ 795,000	\$ 2,450,000

NOTE 15-INTERFUND ACTIVITY

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; to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The District transferred \$693,730 from the General Fund to the Permanent Improvement Fund to cover the expenditures in the permanent improvement fund.

	Transfer In	Transfer Out
General	\$0	\$693,730
<i>Non-Major Funds:</i>		
Permanent Improvement	693,730	0
Total All Funds	\$693,730	\$693,730

As of June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payables
General Fund	\$142,641	\$0
Debt Service Fund	0	342,841
Construction Fund	342,841	0
<i>Non-Major Funds:</i>		
Uniform School Supplies	0	39,523
Teacher Development	0	33,947
Public School Preschool	0	7,761
Ohio Reads	0	5,683
Title VI-B	0	54,399
Title VI	0	232
Improving Teacher Quality	0	1,096
<i>Total Non-Major Funds</i>	0	142,641
Total All Funds	\$485,482	\$485,482

During the year, the School District's General Fund made advances to other funds in anticipation of intergovernmental grant revenue. The School District's Construction Fund advanced \$342,841 into the Debt Service Fund to cover the debt service payment.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 16-JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association-The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating counties, two school treasurers, and one representative from the fiscal agent. The School District paid SCOCA \$109,904 for services provided during the year. Financial information can be obtained from their fiscal agent, the Vern Riffe Career Technology Center, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio 45661.

Pickaway-Ross Career and Technology Center-The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various elected City and County Boards within the Pickaway and Ross Counties. To obtain financial information write to the Pickaway-Ross County Joint Vocational School, Ben Van Horn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Great Seal Education Network of Tomorrow-The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members, each of which possess its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

NOTE 17-INSURANCE PURCHASING POOL

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

NOTE 18-SET-ASIDE CALCULATIONS/FUND RESERVES

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition 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.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005

NOTE 18-SET-ASIDE CALCULATIONS/FUND RESERVES (Continued)

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

	Textbooks	Capital Acquisition	Bus Purchase
Set Aside/Reserve Balance as of June 30, 2004	\$0	\$0	\$29,957
Current Year Set Aside/Reserve Requirement	472,001	472,001	9,248
Prior Year Carryover	(1,361,216)	0	0
Qualifying Disbursements	(155,699)	(226,239)	(29,957)
Current Year Offsets	0	(422,432)	
Set-Aside/Reserve Balance at June 30, 2005	(\$1,044,914)	(\$176,670)	\$9,248
Set-Aside/Reserve Balance Carried Forward to FY06	(\$1,044,914)	\$0	\$9,248

NOTE 19-CONTINGENCIES

Grants

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

NOTE 20-SCHOOL FUNDING COURT 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 21-CAPITAL LEASES

During fiscal year 2005, the School District entered into several leases for copiers. These leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement

Capital assets acquired by the copier leases were for the amount of \$974,881. These capital assets have been capitalized in the statement of net assets for governmental activities. The liability was recorded in the Statement of Net Assets. Principal payments in fiscal year 2005 totaled \$112,779 in the governmental funds.

*CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2005*

NOTE 21-CAPITAL LEASES (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Amount
2006	\$175,137
2007	175,137
2008	175,137
2009	175,137
2010	175,137
2011	175,137
Total	1,050,822
Less: Amount Representing Interest	(188,720)
Present Value of Net Minimum Lease Payments	\$862,102

NOTE 22- SUBSEQUENT EVENTS

On July 13, 2005, the Board approved the following contracts for the continuation of the construction project to the high school:

Contractor	Contract Amount
RW Setterlin Building Company	\$ 14,711,000
Capital Equipment	804,500
TP Mechanical Contractors	534,162
AJ Stockmeister	1,689,032
TP Mechanical Contractors	5,363,500
Accurate Electric Construction	2,988,079
C & T Design and Equipment Co.	340,800
Pro-Onsite Technologies	320,226
Totals	\$ 26,751,299

On November 1, 2005, the Board of Education approved the sale of the Water Street Maintenance Warehouse located at 125 West Water in the amount of \$85,000. The property was sold at public auction on October 29, 2005.

**COMBINING AND
INDIVIDUAL FUND
FINANCIAL
STATEMENTS AND
SCHEDULES**

**Chillicothe City School District
Fund Descriptions**

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes. The following are descriptions of the School District's nonmajor special revenue funds:

Nonmajor Special Revenue Funds

Food Service Fund

A fund to account for all transactions related to the provision of food service operations for the School District.

Uniform School Supplies

A fund to account for the purchase and sale of school supplies as adopted by the Board of Education for use in the School District. Revenues derived from sales are used for school purposes or activities in connection with the school.

Rotary

A fund to account for multi-district handicap programs.

Public School Support

A fund provided to account for specific local revenue sources, other than taxes (i.e., profits from vending machines, sales of pictures, etc.), that are restricted to expenditures for specific purposes approved by the Board. Such expenditures may include curricular and extracurricular related purchases.

Other Local Grants

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

District Managed Activities

To account for student activity programs which have student participation in the activity, but do not have student management for the programs.

Auxiliary Services

A fund to account for monies which provide services and materials to pupils attending non-public schools within the School District.

Teacher Development

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

Chillicothe City School District
Fund Descriptions

Nonmajor Special Revenue Funds (Continued)

Education Management Information

A fund to account for hardware and software development, or other costs associated with the requirements of the management information system.

Public School Preschool

A fund to assist school districts in paying the cost of preschool programs for three and four year olds.

Disadvantaged Pupil Impact Aid

A fund used to account for monies received for disadvantaged pupil impact aid.

OneNet Network

A fund provided to account for money appropriated for Ohio Educational Computer Network Connections.

School Net Training

A fund to account for grant monies to be used for the provision of hardware, software, telecommunication services, and staff development to support educational uses of technology in the classroom.

Ohio Reads

A fund used to account for monies received from the State of Ohio for the purpose of implementing community involvement with students in the elementary grades to supplement and enhance the reading proficiency of students.

Summer Intervention Regional

A fund used to account for summer intervention services.

Miscellaneous State Grants

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

Title VI-B Fund

A fund used to account for programs to assist schools in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels.

Title I

A fund to provide financial assistance provided to State and local educational agencies to meet the special needs of educationally deprived children.

Title VI

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

**Chillicothe City School District
Fund Descriptions**

Nonmajor Special Revenue Funds (Continued)

Drug-Free School

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

Improving Teacher Quality

To help schools improve student achievement by adding additional teachers in grades 1-3.

Miscellaneous Federal Grants

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

Nonmajor Capital Project Funds

The Capital Projects Funds are used to account for the financing and acquisition or construction of major capital assets or facilities, such as new school buildings or additions to existing buildings, and for major renovation projects, other than those financed by proprietary funds or trust funds.

Permanent Improvement

To account for the acquisition, construction or improvement of capital facilities other than those financed by proprietary and trust funds.

SchoolNet

A fund used to account for monies used to obtain computers and related educational technology equipment and/or the necessary infrastructure for educational technology.

Interactive Video Distance Learning

A fund used to account for State money used to finance the interactive video distance learning project.

Nonmajor Permanent Fund

The Permanent Fund is used to account for resources that that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Alumni Library

To account for monies which have been set aside to earn interest used by the Alumni Library.

Chillicothe City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$642,440	\$908,782	\$477,852	\$2,029,074
Taxes Receivable	0	1,034,781	0	1,034,781
Accounts Receivable	463	0	0	463
Accrued Interest Receivable	0	0	2,001	2,001
Intergovernmental Receivable	429,984	0	0	429,984
<i>Total Assets</i>	1,072,887	1,943,563	479,853	3,496,303
 Liabilities and Fund Balances:				
Liabilities				
Accounts Payable	5,374	6,074	0	11,448
Accrued Wages and Benefits	502,700	15,829	0	518,529
Interfund Payable	142,641	0	0	142,641
Intergovernmental Payable	142,027	14,332	0	156,359
Matured Compensated Absences Payable	52,324	0	0	52,324
Deferred Revenue	108,860	944,623	0	1,053,483
Early Retirement Incentive	43,580	0	0	43,580
<i>Total Liabilities</i>	997,506	980,858	0	1,978,364
 Fund Balances:				
Reserved for Encumbrances	69,114	30,656	0	99,770
Reserved for Property Taxes	0	90,158	0	90,158
Reserved for Library Purposes	0	0	450,000	450,000
Undesignated - Reported in:				
Special Revenue	6,267	0	0	6,267
Capital Projects	0	841,891	0	841,891
Permanent	0	0	29,853	29,853
<i>Total Fund Balances</i>	75,381	962,705	479,853	1,517,939
<i>Total Liabilities and Fund Balances</i>	\$1,072,887	\$1,943,563	\$479,853	\$3,496,303

Chillicothe City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
Property and Other Local Taxes	\$0	\$525,656	\$0	\$525,656
Intergovernmental	4,842,319	51,755	0	4,894,074
Interest	2,655	0	9,933	12,588
Tuition and Fees	241,506	0	0	241,506
Extracurricular Activities	121,272	0	0	121,272
Gifts and Donations	60,874	0	0	60,874
Customer Sales and Services	553,808	0	0	553,808
Payments in lieu of taxes	0	2,843	0	2,843
Miscellaneous	77,071	0	0	77,071
Total Revenues	5,899,505	580,254	9,933	6,489,692
Expenditures:				
Current:				
Instruction:				
Regular	1,892,758	107,887	0	2,000,645
Special	1,219,731	0	0	1,219,731
Support Services:				
Pupil	541,358	0	0	541,358
Instructional Staff	777,654	81,101	17	858,772
Board of Education	0	1,675	0	1,675
Administration	94,213	13,547	0	107,760
Fiscal	40,615	18,364	0	58,979
Operation and Maintenance of Plant	1,880	310,102	0	311,982
Pupil Transportation	2,933	158,056	0	160,989
Central	21,115	30,000	0	51,115
Operation of Non-Instructional Services	1,321,036	9,950	0	1,330,986
Extracurricular Activities	99,154	0	0	99,154
Capital Outlay	0	234,436	0	234,436
Total Expenditures	6,012,447	965,118	17	6,977,582
Excess of Revenues Over/(Under) Expenditures	(112,942)	(384,864)	9,916	(487,890)
Other Financing Sources:				
Transfers - In	0	693,730	0	693,730
Proceeds from Sale of Capital Assets	4,508	0	0	4,508
Total Other Financing Sources	4,508	693,730	0	698,238
Net Change in Fund Balances	(108,434)	308,866	9,916	210,348
Fund Balances at Beginning of Year	183,815	653,839	469,937	1,307,591
Fund Balances at End of Year	\$75,381	\$962,705	\$479,853	\$1,517,939

Chillicothe City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Food Service	Uniform School Supplies	Rotary
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$208,284	\$17,175	\$1,293
Accounts Receivable	287	101	0
Intergovernmental Receivable	0	0	0
<i>Total Assets</i>	\$208,571	\$17,276	\$1,293
 Liabilities and Fund Balances:			
Liabilities			
Accounts Payable	\$0	\$0	\$0
Accrued Wages and Benefits	101,399	0	0
Interfund Payable	0	39,523	0
Intergovernmental Payable	51,767	0	0
Matured Compensated Absences Payable	0	0	0
Deferred Revenue	0	0	0
Early Retirement Incentive Payable	0	0	0
<i>Total Liabilities</i>	153,166	39,523	0
 Fund Balances:			
Reserved for Encumbrances	11,693	4,968	0
Unreserved, undesignated	43,712	(27,215)	1,293
<i>Total Fund Balances</i>	55,405	(22,247)	1,293
<i>Total Liabilities and Fund Balances</i>	\$208,571	\$17,276	\$1,293

Public School Support	Other Local Grants	District Managed Activities	Auxilliary Services	Teacher Development	Public School Preschool
\$142,090	\$29,823	\$68,621	\$24,774	\$1,267	\$487
75	0	0	0	0	0
0	0	0	0	33,858	30,767
<u>\$142,165</u>	<u>\$29,823</u>	<u>\$68,621</u>	<u>\$24,774</u>	<u>\$35,125</u>	<u>\$31,254</u>
\$0	\$0	\$0	\$0	\$0	\$0
1,747	2,849	249	826	0	28,551
0	0	0	0	33,947	7,761
8,292	62	489	392	242	7,658
0	0	0	0	0	0
0	0	0	0	0	1,062
0	0	0	0	0	0
<u>10,039</u>	<u>2,911</u>	<u>738</u>	<u>1,218</u>	<u>34,189</u>	<u>45,032</u>
7,641	499	9,187	24,771	1,266	430
<u>124,485</u>	<u>26,413</u>	<u>58,696</u>	<u>(1,215)</u>	<u>(330)</u>	<u>(14,208)</u>
<u>132,126</u>	<u>26,912</u>	<u>67,883</u>	<u>23,556</u>	<u>936</u>	<u>(13,778)</u>
<u>\$142,165</u>	<u>\$29,823</u>	<u>\$68,621</u>	<u>\$24,774</u>	<u>\$35,125</u>	<u>\$31,254</u>

(Continued)

Chillicothe City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Disadvantaged Pupil Impact Aid	Schoolnet Training	Ohio Reads
<i>Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$0	\$2,187	\$1,586
Accounts Receivable	0	0	0
Intergovernmental Receivable	0	0	5,683
<i>Total Assets</i>	\$0	\$2,187	\$7,269
 <i>Liabilities and Fund Balances:</i>			
<i>Liabilities</i>			
Accounts Payable	\$0	\$0	\$0
Accrued Wages and Benefits	150,576	0	0
Interfund Payable	0	0	5,683
Intergovernmental Payable	22,609	33	38
Matured Compensated Absences Payable	0	0	0
Deferred Revenue	0	0	0
Early Retirement Incentive Payable	0	0	0
<i>Total Liabilities</i>	173,185	33	5,721
 <i>Fund Balances:</i>			
Reserved for Encumbrances	0	0	1,586
Unreserved, undesignated	(173,185)	2,154	(38)
<i>Total Fund Balances</i>	(173,185)	2,154	1,548
<i>Total Liabilities and Fund Balances</i>	\$0	\$2,187	\$7,269

Miscellaneous State Grants	Title VI-B	Title I	Title VI	Drug Free School
\$4,133	\$1,109	\$131,866	\$0	\$6,806
0	0	0	0	0
0	159,737	136,322	1,157	4,699
<u>\$4,133</u>	<u>\$160,846</u>	<u>\$268,188</u>	<u>\$1,157</u>	<u>\$11,505</u>
\$0	\$0	\$2,386	\$0	\$2,988
3,349	78,884	101,647	918	614
0	54,399	0	232	0
1,266	18,088	24,900	78	1,744
0	0	52,324	0	0
0	19,022	64,368	1,157	4,699
0	0	43,580	0	0
<u>4,615</u>	<u>170,393</u>	<u>289,205</u>	<u>2,385</u>	<u>10,045</u>
390	1,113	5,465	0	105
<u>(872)</u>	<u>(10,660)</u>	<u>(26,482)</u>	<u>(1,228)</u>	<u>1,355</u>
<u>(482)</u>	<u>(9,547)</u>	<u>(21,017)</u>	<u>(1,228)</u>	<u>1,460</u>
<u>\$4,133</u>	<u>\$160,846</u>	<u>\$268,188</u>	<u>\$1,157</u>	<u>\$11,505</u>

(Continued)

Chillicothe City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Improving Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$10	\$929	\$642,440
Accounts Receivable	0	0	463
Intergovernmental Receivable	53,678	4,083	429,984
<i>Total Assets</i>	\$53,688	\$5,012	\$1,072,887
 Liabilities and Fund Balances:			
Liabilities			
Accounts Payable	\$0	\$0	\$5,374
Accrued Wages and Benefits	31,091	0	502,700
Interfund Payable	1,096	0	142,641
Intergovernmental Payable	4,330	39	142,027
Matured Compensated Absences Payable	0	0	52,324
Deferred Revenue	14,469	4,083	108,860
Early Retirement Incentive Payable	0	0	43,580
<i>Total Liabilities</i>	50,986	4,122	997,506
 Fund Balances:			
Reserved for Encumbrances	0	0	69,114
Unreserved, undesignated	2,702	890	6,267
<i>Total Fund Balances</i>	2,702	890	75,381
<i>Total Liabilities and Fund Balances</i>	\$53,688	\$5,012	\$1,072,887



Chillicothe City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Food Service	Uniform School Supplies	Rotary
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$545,216	\$0	0
Interest	2,655	0	0
Tuition and Fees	0	67,522	0
Extracurricular Activities	0	0	977
Gifts and Donations	0	0	0
Customer Sales and Services	553,808	0	0
Miscellaneous	9,391	8	0
	<u> </u>	<u> </u>	<u> </u>
<i>Total Revenues</i>	<u>1,111,070</u>	<u>67,530</u>	<u>977</u>
Expenditures:			
Current:			
Instruction:			
Regular	0	74,086	0
Special	0	0	0
Support Services:			
Pupil	0	0	0
Instructional Staff	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	1,077,877	0	0
Extracurricular Activities	0	0	0
	<u> </u>	<u> </u>	<u> </u>
<i>Total Expenditures</i>	<u>1,077,877</u>	<u>74,086</u>	<u>0</u>
Excess of Revenues Over/(Under) Expenditures	33,193	(6,556)	977
Other Financing Sources:			
Proceeds from Sale of Capital Assets	4,120	0	0
	<u> </u>	<u> </u>	<u> </u>
<i>Total Other Financing Sources</i>	<u>4,120</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	37,313	(6,556)	977
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>18,092</u>	<u>(15,691)</u>	<u>316</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$55,405</u></u>	<u><u>(\$22,247)</u></u>	<u><u>\$1,293</u></u>

<u>Public School Support</u>	<u>Other Local Grants</u>	<u>District Managed Activities</u>	<u>Auxilliary Services</u>	<u>Teacher Development</u>
\$42,800	\$7,750	\$0	\$135,649	\$63,816
0	0	0	0	0
173,744	0	240	0	0
48,327	0	71,968	0	0
19,683	2,900	38,291	0	0
0	0	0	0	0
56,047	0	11,260	365	0
<u>340,601</u>	<u>10,650</u>	<u>121,759</u>	<u>136,014</u>	<u>63,816</u>
144,253	8,179	0	0	0
0	901	0	0	62,880
21,995	0	0	8,888	0
127,031	22,746	0	0	0
286	0	0	0	0
0	0	0	0	0
1,880	0	0	0	0
0	0	0	0	0
260	471	0	0	0
33,049	0	0	188,147	0
0	0	99,154	0	0
<u>328,754</u>	<u>32,297</u>	<u>99,154</u>	<u>197,035</u>	<u>62,880</u>
11,847	(21,647)	22,605	(61,021)	936
<u>0</u>	<u>0</u>	<u>388</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>388</u>	<u>0</u>	<u>0</u>
11,847	(21,647)	22,993	(61,021)	936
<u>120,279</u>	<u>48,559</u>	<u>44,890</u>	<u>84,577</u>	<u>0</u>
<u>\$132,126</u>	<u>\$26,912</u>	<u>\$67,883</u>	<u>\$23,556</u>	<u>\$936</u>

(Continued)

Chillicothe City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Education Management Information	Public School Preschool	Disadvantaged Pupil Impact Aid
Revenues:			
Intergovernmental	\$10,182	\$241,657	\$1,218,368
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Customer Sales and Services	0	0	0
Miscellaneous	0	0	0
	<u>10,182</u>	<u>241,657</u>	<u>1,218,368</u>
<i>Total Revenues</i>	<u>10,182</u>	<u>241,657</u>	<u>1,218,368</u>
Expenditures:			
Current:			
Instruction:			
Regular	0	161,575	1,172,723
Special	0	0	0
Support Services:			
Pupil	0	11,186	46,605
Instructional Staff	0	51,393	0
Administration	0	23,663	0
Fiscal	1,690	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	10,115	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
	<u>11,805</u>	<u>247,817</u>	<u>1,219,328</u>
<i>Total Expenditures</i>	<u>11,805</u>	<u>247,817</u>	<u>1,219,328</u>
Excess of Revenues Over/(Under) Expenditures	(1,623)	(6,160)	(960)
Other Financing Sources:			
Proceeds from Sale of Capital Assets	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,623)	(6,160)	(960)
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>1,623</u>	<u>(7,618)</u>	<u>(172,225)</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$0</u></u>	<u><u>(\$13,778)</u></u>	<u><u>(\$173,185)</u></u>

OneNet Network	Schoolnet Training	Ohio Reads	Summer Intervention Regional
\$18,000	\$33,015	\$50,000	\$0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>18,000</u>	<u>33,015</u>	<u>50,000</u>	<u>0</u>
0	30,992	33,026	0
0	0	0	0
0	0	0	0
0	0	19,604	116
0	2,075	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
18,179	0	0	0
0	0	0	0
<u>18,179</u>	<u>33,067</u>	<u>52,630</u>	<u>116</u>
(179)	(52)	(2,630)	(116)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(179)	(52)	(2,630)	(116)
<u>179</u>	<u>2,206</u>	<u>4,178</u>	<u>116</u>
<u>\$0</u>	<u>\$2,154</u>	<u>\$1,548</u>	<u>\$0</u>

(Continued)

Chillicothe City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Miscellaneous State Grants	Title VI-B	Title I
Revenues:			
Intergovernmental	\$73,048	\$811,237	\$1,260,785
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Customer Sales and Services	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>73,048</u>	<u>811,237</u>	<u>1,260,785</u>
Expenditures:			
Current:			
Instruction:			
Regular	0	0	0
Special	8,714	308,788	838,448
Support Services:			
Pupil	0	316,736	98,630
Instructional Staff	65,186	124,812	335,140
Administration	0	34,182	34,007
Fiscal	0	15,645	17,544
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	2,933
Central	0	0	10,269
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
<i>Total Expenditures</i>	<u>73,900</u>	<u>800,163</u>	<u>1,336,971</u>
Excess of Revenues Over/(Under) Expenditures	(852)	11,074	(76,186)
Other Financing Sources:			
Proceeds from Sale of Capital Assets	0	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(852)	11,074	(76,186)
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>370</u>	<u>(20,621)</u>	<u>55,169</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>(\$482)</u></u>	<u><u>(\$9,547)</u></u>	<u><u>(\$21,017)</u></u>

<u>Title VI</u>	<u>Drug Free School</u>	<u>Improving Teacher Quality</u>
\$17,222	\$21,304	\$264,904
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>17,222</u>	<u>21,304</u>	<u>264,904</u>
0	0	242,821
0	0	0
18,161	19,157	0
0	0	29,270
0	0	0
0	0	5,269
0	0	0
0	0	0
0	0	0
989	366	1,471
0	0	0
<u>19,150</u>	<u>19,523</u>	<u>278,831</u>
(1,928)	1,781	(13,927)
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>
(1,928)	1,781	(13,927)
<u>700</u>	<u>(321)</u>	<u>16,629</u>
<u>(\$1,228)</u>	<u>\$1,460</u>	<u>\$2,702</u>

(Continued)

Chillicothe City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues:		
Intergovernmental	\$27,366	\$4,842,319
Interest	0	2,655
Tuition and Fees	0	241,506
Extracurricular Activities	0	121,272
Gifts and Donations	0	60,874
Customer Sales and Services	0	553,808
Miscellaneous	0	77,071
	<hr/>	<hr/>
<i>Total Revenues</i>	<i>27,366</i>	<i>5,899,505</i>
Expenditures:		
Current:		
Instruction:		
Regular	25,103	1,892,758
Special	0	1,219,731
Support Services:		
Pupil	0	541,358
Instructional Staff	2,356	777,654
Administration	0	94,213
Fiscal	467	40,615
Operation and Maintenance of Plant	0	1,880
Pupil Transportation	0	2,933
Central	0	21,115
Operation of Non-Instructional Services	958	1,321,036
Extracurricular Activities	0	99,154
	<hr/>	<hr/>
<i>Total Expenditures</i>	<i>28,884</i>	<i>6,012,447</i>
 Excess of Revenues Over/(Under) Expenditures	 (1,518)	 (112,942)
Other Financing Sources:		
Proceeds from Sale of Capital Assets	0	4,508
	<hr/>	<hr/>
<i>Total Other Financing Sources</i>	<i>0</i>	<i>4,508</i>
 <i>Net Change in Fund Balances</i>	 (1,518)	 (108,434)
 <i>Fund Balances (Deficit) at Beginning of Year</i>	 <hr/> 2,408	 <hr/> 183,815
 <i>Fund Balances (Deficit) at End of Year</i>	 <hr/> <hr/> \$890	 <hr/> <hr/> \$75,381

Chillicothe City School District
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2005

	Permanent Improvement	Schoolnet	Total Nonmajor Capital Projects Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$908,781	\$1	\$908,782
Taxes Receivable	1,034,781	0	1,034,781
<i>Total Assets</i>	\$1,943,562	\$1	\$1,943,563
 Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	6,074	0	6,074
Accrued Wages and Benefits	15,829	0	15,829
Deferred Revenue	944,623	0	944,623
Intergovernmental Payable	14,332	0	14,332
<i>Total Liabilities</i>	980,858	0	980,858
 Fund Balances:			
Reserved for Encumbrances	30,656	0	30,656
Reserved for Property Taxes	90,158	0	90,158
Unreserved, undesignated	841,890	1	841,891
<i>Total Fund Balances</i>	962,704	1	962,705
<i>Total Liabilities and Fund Balances</i>	\$1,943,562	\$1	\$1,943,563

Chillicothe City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Fiscal Year Ended June 30, 2005

	<u>Permanent Improvement</u>	<u>Schoolnet</u>	<u>Interactive Video Distance Learning</u>	<u>Total Nonmajor Capital Projects Funds</u>
Revenues:				
Property and Other Local Taxes	\$525,656	\$0	\$0	\$525,656
Intergovernmental	51,755	0	0	51,755
Payments in lieu of taxes	2,843	0	0	2,843
<i>Total Revenues</i>	<u>580,254</u>	<u>0</u>	<u>0</u>	<u>580,254</u>
Expenditures:				
Current:				
Instruction:				
Regular	107,887	0	0	107,887
Support Services:				
Instructional Staff	80,935	0	166	81,101
Board of Education	1,675	0	0	1,675
Administration	13,547	0	0	13,547
Fiscal	18,364	0	0	18,364
Operation & Maint. Of Plant	310,102	0	0	310,102
Pupil Transportation	158,056	0	0	158,056
Central	30,000	0	0	30,000
Operation of Non-Instructional Services	9,950	0	0	9,950
Capital Outlay	234,436	0	0	234,436
<i>Total Expenditures</i>	<u>964,952</u>	<u>0</u>	<u>166</u>	<u>965,118</u>
Excess of Revenues Over/(Under) Expenditures	(384,698)	0	(166)	(384,864)
<u>Other Financing Sources/(Uses):</u>				
Transfers - In	693,730	0	0	693,730
<i>Total Other Financing Sources/(Uses)</i>	<u>693,730</u>	<u>0</u>	<u>0</u>	<u>693,730</u>
<i>Net Change in Fund Balances</i>	309,032	0	(166)	308,866
<i>Fund Balances at Beginning of Year</i>	<u>653,672</u>	<u>1</u>	<u>166</u>	<u>653,839</u>
<i>Fund Balances at End of Year</i>	<u><u>\$962,704</u></u>	<u><u>\$1</u></u>	<u><u>\$0</u></u>	<u><u>\$962,705</u></u>

Chillicothe City School District
Balance Sheet
Nonmajor Permanent Fund
June 30, 2005

	Alumni Library
<i>Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$477,852
Accrued Interest Receivable	2,001
<i>Total Assets</i>	<i>\$479,853</i>
 <i>Liabilities and Fund Balance:</i>	
<i>Fund Balance:</i>	
Reserved for Library Purposes	450,000
Undesignated - Reported in Permanent Fund	29,853
<i>Total Fund Balance</i>	<i>479,853</i>
<i>Total Liabilities and Fund Balance</i>	<i>\$479,853</i>

Chillicothe City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Permanent Fund
For the Fiscal Year Ended June 30, 2005

	<u>Alumni Library</u>
Revenues:	
Interest	<u>\$9,933</u>
<i>Total Revenues</i>	<u>9,933</u>
Expenditures:	
Current:	
Support Services:	
Instructional Staff	<u>17</u>
<i>Total Expenditures</i>	<u>17</u>
<i>Net Change in Fund Balance</i>	9,916
<i>Fund Balance at Beginning of Year</i>	<u>469,937</u>
<i>Fund Balance at End of Year</i>	<u><u>\$479,853</u></u>

**Chillicothe City School District
Fund Descriptions**

Agency Funds

A fund category used to account for assets held by the District in a trustee capacity or as an agency for individuals, private organizations, other governmental and/or other funds.

District Agency Fund

A fund used to account for those assets held by a school district as an agent for individuals, private organization, other governmental units, and/or other funds.

Student Activities Fund

A fund provided to account for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

Chillicothe City School District

**Statement of Changes in
Assets and Liabilities
Agency Funds**

Year Ended June 30, 2005

	<u>Balance 07/01/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
DISTRICT AGENCY FUND				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$13,223</u>	<u>\$0</u>	<u>\$318</u>	<u>\$12,905</u>
Total Assets	<u>13,223</u>	<u>0</u>	<u>318</u>	<u>12,905</u>
Liabilities				
Undistributed Monies	<u>13,223</u>	<u>0</u>	<u>318</u>	<u>12,905</u>
Total Liabilities	<u>\$13,223</u>	<u>\$0</u>	<u>\$318</u>	<u>\$12,905</u>
STUDENT MANAGED ACTIVITIES				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$62,142</u>	<u>\$145,042</u>	<u>\$138,923</u>	<u>\$68,261</u>
Total Assets	<u>\$62,142</u>	<u>\$145,042</u>	<u>\$138,923</u>	<u>\$68,261</u>
Liabilities				
Due to Students	<u>62,142</u>	<u>145,042</u>	<u>138,923</u>	<u>68,261</u>
Total Liabilities	<u>\$62,142</u>	<u>\$145,042</u>	<u>\$138,923</u>	<u>\$68,261</u>
TOTAL AGENCY FUNDS				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$75,365</u>	<u>\$145,042</u>	<u>\$139,241</u>	<u>\$81,166</u>
Total Assets	<u>\$75,365</u>	<u>\$145,042</u>	<u>\$139,241</u>	<u>\$81,166</u>
Liabilities				
Undistributed Monies	13,223	0	318	12,905
Due to Students	<u>62,142</u>	<u>145,042</u>	<u>138,923</u>	<u>68,261</u>
Total Liabilities	<u>\$75,365</u>	<u>\$145,042</u>	<u>\$139,241</u>	<u>\$81,166</u>

**Individual Fund Schedules
of Revenues, Expenditures
and Changes in Fund Balance –
Budget (Non-GAAP Basis)
and Actual**

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Debt Service Fund				
Total Revenues and Other Sources	\$35,772,980	\$35,772,980	\$35,789,984	\$17,004
Total Expenditures and Other Uses	<u>35,781,388</u>	<u>35,781,388</u>	<u>35,780,364</u>	<u>1,024</u>
Net Change in Fund Balance	(8,408)	(8,408)	9,620	18,028
Fund Balance, July 1	8,408	8,408	8,408	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$18,028</u></u>	<u><u>\$18,028</u></u>
Construction Fund				
Total Revenues and Other Sources	\$0	\$0	\$0	\$0
Total Expenditures and Other Uses	<u>34,000,000</u>	<u>34,000,000</u>	<u>4,216,812</u>	<u>29,783,188</u>
Net Change in Fund Balance	(34,000,000)	(34,000,000)	(4,216,812)	29,783,188
Fund Balance, July 1	33,962,000	33,962,000	33,962,000	0
Prior Year Encumbrances Appropriated	<u>38,000</u>	<u>38,000</u>	<u>38,000</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$29,783,188</u></u>	<u><u>\$29,783,188</u></u>

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Food Service				
Total Revenues and Other Sources	\$1,168,750	\$1,168,750	\$1,176,263	\$7,513
Total Expenditures and Other Uses	<u>1,242,040</u>	<u>1,242,040</u>	<u>1,052,961</u>	<u>189,079</u>
Net Change in Fund Balance	(73,290)	(73,290)	123,302	196,592
Fund Balance, July 1	69,687	69,687	69,687	0
Prior Year Encumbrances Appropriated	<u>3,603</u>	<u>3,603</u>	<u>3,603</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$196,592</u></u>	<u><u>\$196,592</u></u>
Uniform School Supplies				
Total Revenues and Other Sources	\$77,758	\$77,758	\$111,135	\$33,377
Total Expenditures and Other Uses	<u>92,263</u>	<u>92,263</u>	<u>113,432</u>	<u>(21,169)</u>
Net Change in Fund Balance	(14,505)	(14,505)	(2,297)	12,208
Fund Balance, July 1	14,505	14,505	14,505	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$12,208</u></u>	<u><u>\$12,208</u></u>
Rotary Fund				
Total Revenues and Other Sources	\$0	\$0	\$977	\$977
Total Expenditures and Other Uses	<u>318</u>	<u>318</u>	<u>0</u>	<u>318</u>
Net Change in Fund Balance	(318)	(318)	977	1,295
Fund Balance, July 1	<u>318</u>	<u>318</u>	<u>318</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$1,295</u></u>	<u><u>\$1,295</u></u>

(Continued)

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public School Support				
Total Revenues and Other Sources	\$296,334	\$330,762	\$340,526	\$9,764
Total Expenditures and Other Uses	461,042	462,595	337,906	124,689
Net Change in Fund Balance	(164,708)	(131,833)	2,620	134,453
Fund Balance, July 1	126,462	126,462	126,462	0
Prior Year Encumbrances Appropriated	5,372	5,372	5,372	0
Fund Balance, June 30	<u>(\$32,874)</u>	<u>\$1</u>	<u>\$134,454</u>	<u>\$134,453</u>
Other Local Grants Fund				
Total Revenues and Other Sources	\$3,650	\$3,650	\$10,650	\$7,000
Total Expenditures and Other Uses	55,811	55,811	33,486	22,325
Net Change in Fund Balance	(52,161)	(52,161)	(22,836)	29,325
Fund Balance, July 1	51,246	51,246	51,246	0
Prior Year Encumbrances Appropriated	915	915	915	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$29,325</u>	<u>\$29,325</u>
District Managed Activities				
Total Revenues and Other Sources	\$127,530	\$127,530	\$123,147	(\$4,383)
Total Expenditures and Other Uses	171,644	171,644	107,816	63,828
Net Change in Fund Balance	(44,114)	(44,114)	15,331	59,445
Fund Balance, July 1	40,421	40,421	40,421	0
Prior Year Encumbrances Appropriated	3,693	3,693	3,693	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$59,445</u>	<u>\$59,445</u>

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Auxiliary Services				
Total Revenues and Other Sources	\$135,648	\$135,648	\$136,014	\$366
Total Expenditures and Other Uses	225,387	225,387	225,751	(364)
Net Change in Fund Balance	(89,739)	(89,739)	(89,737)	2
Fund Balance, July 1	78,766	78,766	78,766	0
Prior Year Encumbrances Appropriated	10,973	10,973	10,973	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$2</u>	<u>\$2</u>
Teacher Development				
Total Revenues and Other Sources	\$63,107	\$63,107	\$69,730	\$6,623
Total Expenditures and Other Uses	63,107	63,107	69,729	(6,622)
Net Change in Fund Balance	0	0	1	1
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$1</u>	<u>\$1</u>
Education Management Information				
Total Revenues and Other Sources	\$12,000	\$12,000	\$10,182	(\$1,818)
Total Expenditures and Other Uses	13,625	13,625	11,807	1,818
Net Change in Fund Balance	(1,625)	(1,625)	(1,625)	0
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	1,625	1,625	1,625	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(Continued)

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Public School Preschool				
Total Revenues and Other Sources	\$253,581	\$253,581	\$230,575	(\$23,006)
Total Expenditures and Other Uses	<u>267,432</u>	<u>267,432</u>	<u>244,426</u>	<u>23,006</u>
Net Change in Fund Balance	(13,851)	(13,851)	(13,851)	0
Fund Balance, July 1	13,421	13,421	13,421	0
Prior Year Encumbrances Appropriated	<u>430</u>	<u>430</u>	<u>430</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Disadvantaged Pupil Impact Aid				
Total Revenues and Other Sources	\$1,218,368	\$1,218,368	\$1,218,368	\$0
Total Expenditures and Other Uses	<u>1,218,368</u>	<u>1,218,368</u>	<u>1,218,368</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
OneNet Network				
Total Revenues and Other Sources	\$18,000	\$18,000	\$18,000	\$0
Total Expenditures and Other Uses	<u>18,179</u>	<u>18,179</u>	<u>18,179</u>	<u>0</u>
Net Change in Fund Balance	(179)	(179)	(179)	0
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>179</u>	<u>179</u>	<u>179</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Schoolnet Training				
Total Revenues and Other Sources	\$33,015	\$33,015	\$33,015	\$0
Total Expenditures and Other Uses	35,222	35,222	33,034	2,188
Net Change in Fund Balance	(2,207)	(2,207)	(19)	2,188
Fund Balance, July 1	2,207	2,207	2,207	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$2,188</u>	<u>\$2,188</u>
Ohio Reads				
Total Revenues and Other Sources	\$50,000	\$50,000	\$50,000	\$0
Total Expenditures and Other Uses	54,178	54,178	54,178	0
Net Change in Fund Balance	(4,178)	(4,178)	(4,178)	0
Fund Balance, July 1	(1)	(1)	(1)	0
Prior Year Encumbrances Appropriated	4,179	4,179	4,179	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Summer Intervention Regional				
Total Revenues and Other Sources	\$0	\$0	\$0	\$0
Total Expenditures and Other Uses	116	116	116	0
Net Change in Fund Balance	(116)	(116)	(116)	0
Fund Balance, July 1	116	116	116	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(Continued)

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Miscellaneous State Grant				
Total Revenues and Other Sources	\$73,048	\$73,048	\$73,048	\$0
Total Expenditures and Other Uses	<u>77,816</u>	<u>77,815</u>	<u>74,069</u>	<u>3,746</u>
Net Change in Fund Balance	(4,768)	(4,767)	(1,021)	3,746
Fund Balance, July 1	3,232	3,232	3,232	0
Prior Year Encumbrances Appropriated	<u>1,536</u>	<u>1,536</u>	<u>1,536</u>	<u>0</u>
Fund Balance, June 30	<u>\$0</u>	<u>\$1</u>	<u>\$3,747</u>	<u>\$3,746</u>
Title VI-B				
Total Revenues and Other Sources	\$858,355	\$858,355	\$777,919	(\$80,436)
Total Expenditures and Other Uses	<u>865,126</u>	<u>865,124</u>	<u>784,690</u>	<u>80,434</u>
Net Change in Fund Balance	(6771)	(6769)	(6771)	(2)
Fund Balance, July 1	2,932	2,932	2,932	0
Prior Year Encumbrances Appropriated	<u>3,839</u>	<u>3,839</u>	<u>3,839</u>	<u>0</u>
Fund Balance, June 30	<u>\$0</u>	<u>\$2</u>	<u>\$0</u>	<u>(\$2)</u>
Title I				
Total Revenues and Other Sources	\$1,359,113	\$1,359,113	\$1,245,408	(\$113,705)
Total Expenditures and Other Uses	<u>1,506,310</u>	<u>1,506,300</u>	<u>1,268,580</u>	<u>237,720</u>
Net Change in Fund Balance	(147,197)	(147,187)	(23,172)	124,015
Fund Balance, July 1	136,438	136,438	136,438	0
Prior Year Encumbrances Appropriated	<u>10,759</u>	<u>10,759</u>	<u>10,759</u>	<u>0</u>
Fund Balance, June 30	<u>\$0</u>	<u>\$10</u>	<u>\$124,025</u>	<u>\$124,015</u>

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Title VI				
Total Revenues and Other Sources	\$17,678	\$17,678	\$17,454	(\$224)
Total Expenditures and Other Uses	18,379	18,379	18,154	225
Net Change in Fund Balance	(701)	(701)	(700)	1
Fund Balance, July 1	701	701	701	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$1</u>	<u>\$1</u>
Drug Free School				
Total Revenues and Other Sources	\$25,968	\$25,968	\$21,304	(\$4,664)
Total Expenditures and Other Uses	31,943	31,944	23,568	8,376
Net Change in Fund Balance	(5,975)	(5,976)	(2,264)	3,712
Fund Balance, July 1	5,976	5,976	5,976	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$1</u>	<u>\$0</u>	<u>\$3,712</u>	<u>\$3,712</u>
Improving Teacher Quality				
Total Revenues and Other Sources	\$264,770	\$264,904	\$226,791	(\$38,113)
Total Expenditures and Other Uses	318,464	318,465	280,352	38,113
Net Change in Fund Balance	(53,694)	(53,561)	(53,561)	0
Fund Balance, July 1	53,561	53,561	53,561	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>(\$133)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(Continued)

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Miscellaneous Federal Grant				
Total Revenues and Other Sources	\$31,410	\$31,449	\$31,705	\$256
Total Expenditures and Other Uses	<u>31,738</u>	<u>31,738</u>	<u>31,065</u>	<u>673</u>
Net Change in Fund Balance	(328)	(289)	640	929
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>289</u>	<u>289</u>	<u>289</u>	<u>0</u>
Fund Balance, June 30	<u>(\$39)</u>	<u>\$0</u>	<u>\$929</u>	<u>\$929</u>

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

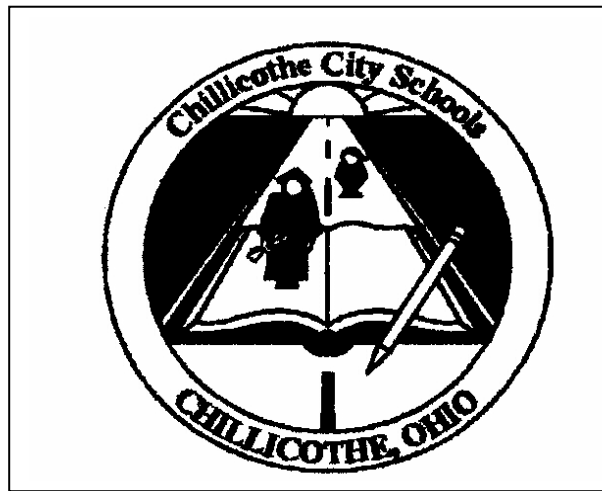
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Permanent Improvement				
Total Revenues and Other Sources	\$2,102,014	\$2,102,014	\$1,533,826	(\$568,188)
Total Expenditures and Other Uses	<u>2,762,985</u>	<u>2,762,985</u>	<u>1,322,253</u>	<u>1,440,732</u>
Net Change in Fund Balance	(660,971)	(660,971)	211,573	872,544
Fund Balance, July 1	468,255	468,255	468,255	0
Prior Year Encumbrances Appropriated	<u>192,716</u>	<u>192,716</u>	<u>192,716</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$872,544</u></u>	<u><u>\$872,544</u></u>
Interactive Video Distance Learning				
Total Revenues and Other Sources	\$0	\$0	\$0	\$0
Total Expenditures and Other Uses	<u>165</u>	<u>165</u>	<u>165</u>	<u>0</u>
Net Change in Fund Balance	(165)	(165)	(165)	0
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>165</u>	<u>165</u>	<u>165</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

(Continued)

Chillicothe City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Alumni Library				
Total Revenues and Other Sources	\$9,000	\$9,000	\$9,186	\$186
Total Expenditures and Other Uses	<u>27,683</u>	<u>27,683</u>	<u>17</u>	<u>27,666</u>
Net Change in Fund Balance	(18,683)	(18,683)	9,169	27,852
Fund Balance, July 1	468,683	468,683	468,683	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$450,000</u></u>	<u><u>\$450,000</u></u>	<u><u>\$477,852</u></u>	<u><u>\$27,852</u></u>
Employee Self Insurance				
Total Revenues and Other Sources	\$231,500	\$231,500	\$106,149	(\$125,351)
Total Expenditures and Other Uses	<u>321,643</u>	<u>321,643</u>	<u>114,856</u>	<u>206,787</u>
Net Change in Fund Balance	(90,143)	(90,143)	(8,707)	81,436
Fund Balance, July 1	90,143	90,143	90,143	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$81,436</u></u>	<u><u>\$81,436</u></u>

CHILlicothe CITY SCHOOL DISTRICT



STATISTICAL SECTION

Table 1

CHILLICOTHE CITY SCHOOL DISTRICT
Governmental Activities Expenses by Function (1)
Last Two Fiscal Years

<u>Fiscal Year (2)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Instruction			
Regular	\$12,795,621	\$12,621,430	\$12,163,589
Special	3,233,613	3,046,814	3,256,889
Vocational	4,424	4,067	9,408
Adult/Continuing	2,111	0	3,872
Other Instruction	177,912	177,316	169,954
	<u>16,213,681</u>	<u>15,849,627</u>	<u>15,603,712</u>
Support Services			
Pupils	1,633,299	1,709,709	1,576,558
Instructional Staff	1,758,166	1,742,420	1,966,112
Board of Education	51,964	59,859	31,750
Administration	1,842,171	2,061,528	2,503,066
Business & Fiscal	786,670	891,206	672,017
Operation of Maintenance of Plant	2,149,903	2,509,503	2,510,074
Pupil Transportation	874,516	865,188	955,208
Central	123,939	130,946	143,477
	<u>9,220,628</u>	<u>9,970,359</u>	<u>10,358,262</u>
Operation of Non-Instructional Services	1,538,412	1,601,095	1,733,371
Extracurricular Activities	479,251	595,741	579,848
Debt Service:			
Interest & Fiscal Charges	1,627,989	491,345	101,528
	<u>1,627,989</u>	<u>491,345</u>	<u>101,528</u>
Total Expenditures	<u>\$29,079,961</u>	<u>\$28,508,167</u>	<u>\$28,376,721</u>

Source: School District Financial Records

(1) Includes all governmental activities.

(2) Fiscal Year 2003 is the first year reported in accordance with GASB Statement No. 34

Table 2

CHILLICOTHE CITY SCHOOL DISTRICT
Governmental Activities Revenue by Source (1)
Last Two Fiscal Years

<u>Fiscal Year (2)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Program Revenues			
Charges for Services	\$2,019,694	\$1,890,724	\$2,195,250
Operating Grants and Contributions	5,501,272	5,451,727	5,585,951
Capital Grants and Contributions	0	0	500,000
General Revenues			
Property Taxes	12,383,538	12,197,565	11,974,340
Payments in Lieu of Taxes	61,605	0	0
Intergovernmental	7,793,690	6,545,788	6,733,797
Investment Earnings	925,457	171,276	116,855
Gain on Sale of Capital Assets	0	155,945	0
Gifts and Donations	24,476	26,833	0
Miscellaneous	95,492	201,561	188,866
Total Revenues	<u>\$28,805,224</u>	<u>\$26,641,419</u>	<u>\$27,295,059</u>

Source: School District Financial Records

(1) Includes add governmental activities

(2) Fiscal Year 2003 is the first year reported in accordance with GASB 34 Statement No. 34

Table 3

CHILLICOTHE CITY SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Collection Years	Current Tax Levied (1)	Current Taxes Collected (1)	Percent of Current Levy Collected	Delinquent Tax Collections	Total Tax Collections (1)	Total Tax Collections to Taxes Levied	Outstanding Delinquent Taxes	Percent Of Delinquent Taxes to Current Levied
1996	11,904,465	11,690,690	98.20%	181,111	11,871,801	99.73%	430,370	3.62%
1997	12,325,308	12,083,548	98.04%	201,321	12,284,869	99.67%	501,418	4.07%
1998	12,166,414	11,949,768	98.22%	280,378	12,230,146	100.52%	474,602	3.90%
1999	13,067,744	12,889,906	98.64%	175,828	13,065,734	99.98%	527,391	4.04%
2000	12,684,857	12,494,811	98.50%	208,017	12,702,828	100.14%	475,812	3.75%
2001	12,632,642	12,456,295	98.60%	272,722	12,729,017	100.76%	517,708	4.10%
2002	12,547,558	12,226,466	97.44%	186,907	12,413,373	98.93%	457,488	3.65%
2003	13,077,318	12,841,127	98.19%	242,376	13,083,503	100.05%	554,731	4.24%
2004	11,590,767	11,140,708	96.12%	274,920	11,415,628	98.49%	739,936	6.38%
2005	14,887,701	14,558,609	97.79%	385,815	14,944,424	100.38%	830,958	5.58%

Note: The information above is for real estate, public utilities and tangible personal property collections and levies.

Source: Office of the County Auditor, Ross County, Ohio - Data is presented on a calendar year basis.

(1) Includes Homestead/Rollback on real estate and reimbursement on personal property taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.

Table 4

CHILLICOTHE CITY SCHOOL DISTRICT
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Collection Years	Real Property			Personal Property			Public Utility			Total	
	%	Assessed Value	Estimated Actual Value	%	Assessed Value	Estimated Actual Value	%	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1996	35%	245,488,730	701,396,371	25%	120,842,390	483,369,560	88%	28,382,770	32,253,148	394,713,890	1,217,019,079
1997	35%	249,142,990	711,837,114	25%	123,131,670	492,526,680	88%	27,824,440	31,618,682	400,099,100	1,235,982,476
1998	35%	253,203,920	723,439,771	25%	135,195,900	540,783,600	88%	28,225,730	32,074,693	416,625,550	1,296,298,065
1999	35%	283,825,300	810,929,429	25%	129,782,920	519,131,680	88%	29,991,920	34,081,727	443,600,140	1,364,142,836
2000	35%	285,593,080	815,980,229	25%	133,870,322	535,481,288	88%	28,519,710	32,408,761	447,983,112	1,383,870,278
2001	35%	287,143,700	820,410,571	25%	138,865,100	555,460,400	88%	30,062,090	34,161,466	456,070,890	1,410,032,437
2002	35%	322,526,210	921,503,457	25%	135,568,200	542,272,800	88%	26,393,230	29,992,307	484,487,640	1,493,768,564
2003	35%	324,741,110	927,831,743	25%	125,725,980	502,903,920	88%	28,059,280	31,885,545	478,526,370	1,462,621,208
2004	35%	328,091,340	937,403,829	25%	136,938,100	547,752,400	88%	24,417,050	27,746,648	489,446,490	1,512,902,876
2005	35%	354,642,030	1,013,262,943	25%	99,095,610	396,382,440	88%	24,280,980	27,592,023	478,018,620	1,437,237,406

Source: Office of the County Auditor, Ross County, Ohio

Table 5-A

CHILLICOTHE CITY SCHOOL DISTRICT
Property Tax Rates - Direct and Overlapping Governments
Last Ten Years
Scioto Township (#240)
(per \$1,000 of Assessed Valuation)

Calendar Year	Chillicothe City School District	Ross County	Pickaway-Ross Joint Vocational School	Scioto Township	Total Rate	Total Residential/Agriculture Effective Rate	Total Commercial/Industrial Effective Rate
1996	38.40	10.90	3.20	5.50	58.00	40.568385	42.635527
1997	38.10	9.40	3.20	5.50	56.20	38.743310	41.148480
1998	37.90	9.40	3.20	5.50	56.00	38.438979	41.375275
1999	37.80	9.40	3.20	5.50	55.90	34.448716	40.649165
2000	37.74	9.40	3.20	5.50	55.84	34.326336	40.536121
2001	37.70	9.40	3.20	5.50	55.80	34.230760	40.544731
2002	37.70	9.40	3.20	5.50	55.80	32.654803	37.885521
2003	37.70	9.40	3.20	5.50	55.80	33.814766	38.582284
2004	37.70	9.80	3.20	5.50	56.20	35.253409	39.597961
2005	44.67	10.40	3.20	5.50	63.77	42.488666	46.231993

Note: The Chillicothe City School District consists of two taxing Districts:
 - Scioto Township - Chillicothe City School District #240
 - Scioto Township - Chillicothe City School District - City of Chillicothe #270

Source: Office of the County Auditor, Ross County, Ohio

Table 5-B

CHILlicothe CITY SCHOOL DISTRICT
Property Tax Rates - Direct and Overlapping Governments
Last Ten Years
Scioto Township - City of Chillicothe (#270)
(per \$1,000 of Assessed Valuation)

Calendar Year	Chillicothe City School District	City Of Chillicothe	Ross County	Pickaway-Ross Joint Vocational School	Scioto Township	Total Rate	Total	
							Residential/Agriculture Effective Rate	Commercial/Industrial Effective Rate
1996	38.40	3.20	10.90	3.20	0.60	56.30	39.408810	41.554979
1997	38.10	3.20	9.40	3.20	0.60	54.50	37.587836	39.879800
1998	37.90	3.20	9.40	3.20	0.60	54.30	37.284261	39.944173
1999	37.80	3.20	9.40	3.20	0.60	54.20	33.625485	39.311116
2000	37.74	3.20	9.40	3.20	0.60	54.14	33.503698	39.193128
2001	37.70	3.20	9.40	3.20	0.60	54.10	33.408985	39.208522
2002	37.70	3.20	9.40	3.20	0.60	54.10	32.081234	36.848467
2003	37.70	3.20	9.40	3.20	0.60	54.10	33.240705	37.572032
2004	37.70	3.20	9.40	3.20	0.60	54.10	34.085281	38.234129
2005	44.67	3.20	10.40	3.20	0.60	62.07	41.507583	45.147959

Note: The Chillicothe City School District consists of two taxing Districts:
 - Scioto Township - Chillicothe City School District #240
 - Scioto Township - Chillicothe City School District - City of Chillicothe #270

Source: Office of the County Auditor, Ross County, Ohio

Table 6

CHILlicoTHE CITY SCHOOL DISTRICT
Principal Property Taxpayers
2004 Tax Year

	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
<u>Public Utilities</u>		
(1) Columbus Southern Power	\$11,354,080	2.38%
(2) Horizon Telcom, Inc.	9,821,420	2.05%
(3) Columbia Gas of Ohio, Inc	1,355,960	0.28%
(4) Norfolk Southern Combined Railroad Subsidiaries	675,740	0.14%
(5) Orang County Cellular Telephone Corp	347,300	0.07%
<u>Real Estate</u>		
(1) Mead Corporation	27,224,560	5.70%
(2) DDR Ohio Opportunity II LLC	3,543,670	0.74%
(3) Chillicothe Mall Inc.	3,454,820	0.72%
(4) Central Center LTD	2,899,370	0.61%
(5) Real Estate Finance Trust	2,328,100	0.49%
(6) Zane Plaza LLC	2,042,960	0.43%
(7) RG Chillicothe Associates LTD	1,648,510	0.34%
(8) Rodney Winegardner	1,579,810	0.33%
(9) Western View Apartments	1,412,740	0.30%
(10) Rossco Partners, LLC	1,370,360	0.29%
<u>Tangible Personal Property</u>		
(1) Mead Corporation	62,867,280	13.15%
(2) QNP Holding Inc.	1,561,250	0.33%
(3) Adelphia	1,509,130	0.32%
(4) Lowe's Home Centers, Inc.	1,428,290	0.30%
(5) Wal-Mart Stores East Inc.	1,411,690	0.30%
(6) Ricart	1,292,630	0.27%
(7) Kmart Corp	1,215,670	0.25%
(8) Kroger's	1,030,180	0.22%
(9) Herrnstein Chrysler	950,310	0.20%
(10) Union Spring & Mfg Corporation	847,980	0.18%
ALL OTHERS	<u>332,844,810</u>	<u>69.63%</u>
TOTAL ASSESSED VALUATION	<u><u>\$478,018,620</u></u>	<u><u>100.00%</u></u>

Note: Tax collections for the fiscal year 2005 are based on assessed values from 2004 tax year.

Source: Office of the County Auditor
 Ross County, Ohio

Table 7

CHILLICOTHE CITY SCHOOL DISTRICT
Legal Debt Margin
June 30, 2005

Total assessed valuation		\$478,018,620
Overall debt limitation - 9.0% of assessed valuation (1)		<u>43,021,676</u>
Gross indebtedness authorized by the School Board	<u>\$35,475,000</u>	
Less debt outside limitation:	<u>1,475,000</u>	
Debt within 9.0% limitation	34,000,000	
Less amount available in debt service fund	<u>0</u>	
Net debt within 9.0% limitation		<u>34,000,000</u>
Legal debt margin within 9.0% limitation		<u><u>\$9,021,676</u></u>
<hr style="border: 1px solid black;"/>		
Energy Conservation Debt Limit - .90% of assessed value (1)		\$4,302,168
Net debt within .90% limitation		<u>(1,475,000)</u>
Energy Conservation Debt Margin		<u><u>\$2,827,168</u></u>
<hr style="border: 1px solid black;"/>		
Unvoted debt limitation - .10% of assessed valuation (1)		\$478,019
Net debt within .10% limitation		<u>0</u>
Legal debt margin within .10% limitation		<u><u>\$478,019</u></u>

(1) Ohio Bond Law sets a limit of 9% for voted debt, .90% for energy conservation measures and .10% for unvoted debt.

Table 8

CHILlicothe CITY SCHOOL DISTRICT
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Debt Per Capita
Last Ten Years

Fiscal Year	Estimated Population (1)	Assessed Value Real & Personal Property (2)	General Bonded Debt (3)	Less Debt Service (3)	Net Bonded Debt	Ratio Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1996 (a)	22,176	394,713,890	990,000	171,641	818,359	0.21%	37
1997 (a)	22,176	400,099,100	614,000	0	614,000	0.15%	28
1998 (a)	22,176	416,625,550	463,000	0	463,000	0.11%	21
1999 (a)	22,726	443,600,140	312,000	0	312,000	0.07%	14
2000 (a)	22,726	447,983,112	161,000	0	161,000	0.04%	7
2001 (a)	22,041	456,070,890	0	0	0	0.00%	0
2002 (a)	22,041	484,487,640	0	0	0	0.00%	0
2003 (a)	21,796	478,526,370	0	0	0	0.00%	0
2004 (a)	21,796	489,446,490	0	0	0	0.00%	0
2005(a)	21,796	478,018,620	34,000,000	0	34,000,000	7.11%	1,560

Sources:

- (1) Office of the City Auditor, Chillicothe, Ohio
- (2) Office of the County Auditor, Ross County, Ohio
- (3) Includes all general obligation bonded debt supported by property taxes. Energy conservation notes are excluded.
- (a) GAAP Basis Data

Table 9

CHILLICOTHE CITY SCHOOL DISTRICT
Ratio of Annual General Obligation Bonded Debt Service Expenditures
To Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal (1)	Interest (1)	Total Debt Service	Total General Fund Expenditures	Percent of Debt Service to General Fund Expenditures
1996 (a)	1,141,000	56,924	1,197,924	16,741,915	7.16%
1997 (a)	990,000	36,430	1,026,430	17,519,290	5.86%
1998 (a)	614,000	26,095	640,095	18,767,232	3.41%
1999 (a)	463,000	20,372	483,372	18,711,411	2.58%
2000 (a)	312,000	9,421	321,421	19,692,918	1.63%
2001 (a)	161,000	7,197	168,197	19,901,483	0.85%
2002 (a)	0	0	0	20,958,403	0.00%
2003 (a)	0	0	0	21,780,064	0.00%
2004 (a)	0	0	0	21,179,486	0.00%
2005 (a)	0	1,871,408	1,871,408	21,596,025	8.67%

Source: School District Financial Records

(1) Includes principal and interest for all general obligation bonded debt supported by property taxes. Energy conservation notes are excluded.

(a) GAAP Basis Data

Table 10

CHILLICOTHE CITY SCHOOL DISTRICT
Computation of Direct and Overlapping Debt
June 30, 2005

	<u>General Obligation Debt (1)</u>	<u>Percent Overlapping</u>	<u>Applicable To Chillicothe City School District</u>
Direct Debt:			
Chillicothe City School District	\$35,475,000	100.00%	\$35,475,000
Overlapping Debt:			
Ross County	13,215,390	43.64%	5,767,196
City of Chillicothe	2,160,000	93.78%	2,025,648
Scioto Township	148,618	86.63%	128,748
Subtotal - Overlapping Debt			<u>7,921,592</u>
Total Direct and Overlapping Debt			<u><u>\$43,396,592</u></u>

(1) General obligation debt includes general obligation bonds, and energy conservation notes

Table 11

CHILLICOTHE CITY SCHOOL DISTRICT
New Construction, Property Value and Bank Deposits
Last Ten Fiscal Years

Year	Residential		Commercial		Total Value New Construction	Real Property	Assessed Value Property Values (2)			Total	Bank Deposits (3)
	Number of Permits (1)	Value (2)	Number of Permits (1)	Value (2)			Tangible Personal	Public Utility Personal	Personal		
1996	25	2,805,670	119	2,681,680	5,487,350	245,488,730	120,842,390	28,382,770	28,382,770	394,713,890	165,364,000
1997	18	1,881,030	119	3,454,220	5,335,250	249,142,990	123,131,670	27,824,440	27,824,440	400,099,100	172,794,000
1998	20	1,359,320	109	2,959,150	4,318,470	253,203,920	135,195,900	28,225,730	28,225,730	416,625,550	185,378,000
1999	14	1,482,980	94	2,245,760	3,728,740	283,825,300	129,782,920	29,991,920	29,991,920	443,600,140	198,526,000
2000	27	1,941,810	152	1,299,930	3,241,740	285,593,080	133,870,322	28,519,710	28,519,710	447,983,112	208,502,000
2001	38	1,150,330	258	1,352,980	2,503,310	287,143,700	138,865,100	30,062,090	30,062,090	456,070,890	219,907,000
2002	12	1,226,570	194	759,300	1,985,870	322,526,210	135,568,200	26,393,230	26,393,230	484,487,640	238,186,000
2003	28	1,914,750	237	736,350	2,651,100	324,741,110	125,725,980	28,059,280	28,059,280	478,526,370	254,517,000
2004	13	1,333,160	233	1,634,690	2,967,850	328,091,340	136,938,100	24,417,050	24,417,050	489,446,490	259,459,000
2005	17	633,710	219	2,401,530	3,035,240	354,642,030	99,095,610	24,280,980	24,280,980	478,018,620	252,292,000

Note: Public Utility Real Estate values are included in Real Property Values

Sources:

- (1) Office of the City Building Department, Chillicothe, Ohio
- (2) Office of the County Auditor, Ross County, Ohio
- (3) Federal Reserve Bank of Cleveland

Table 12

CHILLICOTHE CITY SCHOOL DISTRICT
Cost to Educate a 2004 Graduate

<u>School Year Ended</u>	<u>Grade</u>	<u>Chillicothe Annual Per Pupil Cost</u>	<u>State Average</u>
1992	Kindergarten	3,482	4,619
1993	1st	4,728	4,815
1994	2nd	5,292	5,010
1995	3rd	5,171	5,151
1996	4th	5,324	5,328
1997	5th	5,781	5,939
1998	6th	6,136	6,232
1999	7th	6,101	6,642
2000	8th	6,510	7,057
2001	9th	6,560	7,602
2002	10th	7,200	8,073
2003	11th	7,373	8,435
2004	12th	7,393	8,754
Total Cost		<u>\$77,051</u>	<u>\$83,657</u>

Note: Annual per pupil cost for all years except Kindergarten where the amount is one-half of the annual per pupil cost.

Source: State of Ohio Department of Education - Total Current Expenditures Per Pupil - All Funds

Table 13

CHILLICOTHE CITY SCHOOL DISTRICT
Average Daily Membership (ADM) Data
Last Ten Fiscal Years

<i>School Year Ended</i>	<i>Number of Graduates</i>	<i>Enrollment</i>	<i>Percentage Enrollment Increase (Decrease)</i>
1996	272	3,870	(1.40%)
1997	280	3,727	(3.84%)
1998	263	3,714	(0.35%)
1999	267	3,758	1.17%
2000	253	3,683	(2.04%)
2001	263	3,753	1.87%
2002	280	3,680	(1.98)%
2003	260	3,564	(3.25)%
2004	269	3,387	(5.23)%
2005	267	3,196	(5.98)%

Source: State of Ohio Department of Education - EMIS

Table 14

CHILICOTHE CITY SCHOOL DISTRICT
Staffing Statistics - Full Time Equivalents (FTE)

	<u>2000-01</u> <i>Actual</i>	<u>2001-02</u> <i>Actual</i>	<u>2002-03</u> <i>Actual</i>	<u>2003-04</u> <i>Actual</i>	<u>2004-05</u> <i>Actual</i>	<u>2005-06</u> <i>Estimate</i>
Professional Staff:						
Teaching Staff:						
Elementary	87.3	89.3	80.0	75.9	77.9	81.7
Middle	39.4	39.2	39.1	30.2	30.4	29.6
High	47.3	46.4	40.8	42.4	40.7	39.4
Title I	14.5	17.5	15.5	13.0	14.2	11.9
Other Funds	13.1	8.0	11.5	12.8	14.3	10.2
Administrators:						
District	15.4	17.1	16.6	13.1	13.1	13.3
Auxiliary Positions:						
Psychologists	2.0	2.0	2.0	2.0	2.0	2.0
Nurses	2.0	2.0	2.0	2.0	2.0	1.8
Special Education	27.3	29.8	28.3	25.8	22.8	26.7
Librarians / Audio Visual	4.0	3.0	3.0	3.0	2.0	2.0
Guidance	6.0	6.5	5.6	4.0	4.0	4.0
Total Professional Staff	258.3	260.8	244.4	224.2	223.3	222.6
Support Staff:						
Secretarial	24.0	23.2	24.1	22.6	22.1	22.2
Aides / Monitors	27.6	34.1	20.7	20.2	21.2	17.2
Technical	9.4	9.4	8.0	6.5	6.4	6.3
Custodial	25.5	27.5	25.5	20.0	18.0	17.0
Maintenance	9.0	9.0	8.0	8.0	4.0	4.0
Transportation	21.5	22.5	22.5	19.0	18.0	17.0
Perm Improv Fund	0.0	0.0	0.0	0.0	6.1	6.1
Lunchroom Fund	28.9	28.9	29.5	25.4	24.4	24.4
Title I Fund	2.5	1.5	3.0	1.5	0.5	0.5
Support Staff - Other Funds	7.0	8.8	10.8	9.8	9.8	9.8
Total Support Staff	155.4	164.9	152.1	133.0	130.4	124.5
Total District Staffing	413.7	425.7	396.5	357.1	353.8	347.1

Source: School District Records

Table 15

CHILLICOTHE CITY SCHOOL DISTRICT
Educational Statistics
Last Five School Years

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
4th Grade Proficiency Tests:					
Citizenship	64	71	74	71	73
Mathematics	71	71	68	75	72
Reading	60	70	82	79	81
Writing	79	77	83	73	90
Science	64	73	74	78	75
6th Grade Proficiency Tests:					
Citizenship	64	65	67	69	80
Mathematics	53	53	43	69	62
Reading	57	47	63	65	73
Writing	79	84	86	93	85
Science	59	56	64	63	80
9th Grade Proficiency Tests/10th Grade Ohio Graduation Tests: *					
Citizenship	75	76	84	89	75
Mathematics	62	61	77	84	78
Reading	83	86	88	91	92
Writing	83	78	87	91	79
Science	71	66	74	85	69
Attendance Rate	94	93	94	93	94
Graduation Rate	85	88	88	89	88
ACT Scores (Composite Averages)					
Chillicothe	21.4	21.4	23.1	23.1	20.8
State	21.4	21.4	22.4	22.4	21.4
National	21.0	20.8	21.8	21.8	20.9
SAT Scores (Averages)					
Chillicothe					
Verbal	565	565	562	562	587
Mathematics	572	566	556	556	554
State					
Verbal	534	533	536	536	538
Mathematics	539	540	541	541	542
National					
Verbal	506	504	507	507	508
Mathematics	514	516	519	519	519

Source: Ohio Department of Education - School District Report Card Data

*- In the spring of 2005, the 10th Grade Ohio Graduation Test was implemented. The 2004-2005 data reflect these tests

Table 16

CHILLICOTHE CITY SCHOOL DISTRICT
Demographic Statistics and Average Unemployment Rates
Last Ten Years

Fiscal Year	Estimated Population (1)	Per Capita Income (1)	Median Age (1)	School Enrollment	Ross County Unemployment (1)	State of Ohio Unemployment (1)	United States Unemployment (1)
1996	22,176	12,529	37.2	3,870	5.8%	4.8%	5.6%
1997	22,176	12,529	37.2	3,727	6.1%	4.9%	5.4%
1998	22,176	12,529	37.2	3,714	5.8%	4.5%	4.9%
1999	22,726	12,529	37.2	3,758	4.9%	3.9%	4.5%
2000	22,726	12,529	37.2	3,683	4.4%	4.0%	4.1%
2001	22,041	12,529	37.2	3,753	5.7%	3.9%	4.0%
2002	22,041	12,529	40.0	3,680	6.4%	5.3%	5.5%
2003	21,796	19,101	40.0	3,564	6.2%	5.7%	5.8%
2004	21,796	19,101	40.0	3,387	7.1%	6.0%	6.0%
2005	21,796	19,101	40.0	3,196	9.1%	6.1%	5.4%

Sources:

(1) Office of the City Auditor; Chillicothe, Ohio



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**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS 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
MARCH 14, 2006**