

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

SUPPLEMENTAL REPORTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

RYAN GHIZZONI, TREASURER



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Stow-Munroe Falls City School District, Summit County, prepared by Julian and Grube, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stow-Munroe Falls City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 17, 2006

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

TABLE OF CONTENTS

Independent Auditor’s Report on Supplementary Schedule of Receipts and Expenditures of Federal Awards.....	1
Schedule of Receipts and Expenditures of Federal Awards	2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	3 - 4
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	5 - 6
Schedule of Findings OMB <i>Circular A-133</i> § .505	7 - 8



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

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

We have audited the financial statements of the governmental activities, its major fund and the aggregate remaining fund information of Stow-Munroe Falls City School District, Summit County (the "District") as of and for the fiscal year ended June 30, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

Julian & Grube, Inc.

Julian & Grube, Inc.
November 30, 2005

**STOW-MONROE FALLS CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Donation	10.550	N/A	\$ -	\$ 87,566	\$ -	\$ 87,566
(A) (C) National School Lunch Program	10.555	044834-LLP4-2004	48,627	-	48,627	-
(A) (C) National School Lunch Program	10.555	044834-LLP4-2005	153,036	-	153,036	-
Total U.S. Department of Agriculture and Nutrition Cluster			<u>201,663</u>	<u>87,566</u>	<u>201,663</u>	<u>87,566</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I Grants to Local Educational Agencies	84.010	044834-C1S1-2004	104,329		79,269	
Title I Grants to Local Educational Agencies	84.010	044834-C1S1-2005	262,352		259,628	
Total Title I Grants to Local Educational Agencies			<u>366,681</u>		<u>338,897</u>	
(E) Special Education-Grants to States	84.027	044834-6BSF-2004	51,725		91,523	
(E) Special Education-Grants to States	84.027	044834-6BSF-2005	787,020		969,952	
Total Special Education-Grants to States			<u>838,745</u>		<u>1,061,475</u>	
(E) Special Education-Preschool Grants	84.173	044834-PGS1-2004	-		859	
(E) Special Education-Preschool Grants	84.173	044834-PGS1-2005	14,363		17,195	
Total Special Education-Preschool Grants			<u>14,363</u>		<u>18,054</u>	
Total Special Education Cluster			<u>853,108</u>		<u>1,079,529</u>	
Eisenhower Professional Development	84.281	044834-MSS1-2002	-		2,173	
Safe and Drug-Free Schools and Communities-State Grants	84.186	044834-DRS1-2002	-		424	
Safe and Drug-Free Schools and Communities-State Grants	84.186	044834-DRS1-2004	-		261	
Safe and Drug-Free Schools and Communities-State Grants	84.186	044834-DRS1-2005	10,415		14,412	
Total Safe and Drug-Free Schools and Communities-State Grants			<u>10,415</u>		<u>15,097</u>	
State Grants for Innovative Programs	84.298	044834-C2S1-2004	9,439		6,893	
State Grants for Innovative Programs	84.298	044834-C2S1-2005	35,549		37,476	
Total State Grants for Innovative Programs			<u>44,988</u>		<u>44,369</u>	
Education Technology State Grants	84.318	044834-TJS1-2004	5,527		6,348	
Education Technology State Grants	84.318	044834-TJS1-2005	7,849		7,849	
Total Education Technology State Grants			<u>13,376</u>		<u>14,197</u>	
English Language Acquisition Grants	84.365	044834-T3S1-2005	12,929		12,929	
Improving Teacher Quality State Grants	84.367	044834-TRS1-2004	-		545	
Improving Teacher Quality State Grants	84.367	044834-TRS1-2005	118,190		117,241	
Total Improving Teacher Quality State Grants			<u>118,190</u>		<u>117,786</u>	
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE SIX DISTRICT EDUCATION COMPACT						
Federal Perkins Loan Program-Federal Capital Contributions	84.038	N/A	-		2,951	
Federal Perkins Loan Program-Federal Capital Contributions	84.038	N/A	-		941	
Federal Perkins Loan Program-Federal Capital Contributions	84.038	N/A	38,426		31,430	
Total Federal Perkins Loan Program			<u>38,426</u>		<u>35,322</u>	
Total U.S. Department of Education			<u>1,458,113</u>		<u>1,660,299</u>	
Total Federal Financial Assistance			<u>\$ 1,659,776</u>	<u>\$ 87,566</u>	<u>\$ 1,861,962</u>	<u>\$ 87,566</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
 (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.

- (D) This schedule was prepared on the cash basis of accounting.
 (E) Included as part of "Special Education Grant Cluster" in determining major programs.



Julian & Grube, Inc.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Stow-Munroe Falls City School District, Summit County, (the “District”) as of and for the fiscal year ended June 30, 2005, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 30, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers” for the fiscal year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated November 30, 2005.

Board of Education
Stow-Munroe Falls City School District

Compliance and Other Matters

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

This report is intended solely for the information and use of the management and Board of Education of the Stow-Munroe Falls City School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 30, 2005



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

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

Compliance

We have audited the compliance of the Stow-Munroe Falls City School District, Summit County, (the “District”) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers” for the fiscal year ended June 30, 2005. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

Board of Education
Stow-Munroe Falls City School District

In our opinion, the Stow-Munroe Falls City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2005.

Internal Control Over Compliance

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

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

This report is intended for the information of the management and Board of Education of Stow-Munroe Falls City School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
November 30, 2005

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

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

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

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

OF THE

STOW-MUNROE FALLS CITY
SCHOOL DISTRICT

FOR THE

FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY
TREASURER'S DEPARTMENT
RYAN GHIZZONI, TREASURER

4350 ALLEN ROAD

STOW, OHIO 44224

**STOW-MUNROE FALLS CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

TABLE OF CONTENTS

TITLE PAGE	
TABLE OF CONTENTS	i-iii
 I. INTRODUCTORY SECTION	
Letter of Transmittal.....	1-5
List of Principal Officers.....	6
Organizational Chart	7
 II. FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT.....	9-10
MANAGEMENT’S DISCUSSION AND ANALYSIS	11-22
 BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	23
Statement of Activities.....	24
 Fund Financial Statements:	
Balance Sheet - Governmental Funds	25
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	28
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund	29
Statement of Fiduciary Net Assets - Fiduciary Funds	30
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	31
Notes to the Basic Financial Statements	33-59

COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES:

Combining Statements - Nonmajor Governmental Funds:

Fund Descriptions	62-65
Combining Balance Sheet - Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	67
Combining Balance Sheet - Nonmajor Special Revenue Funds	68-73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	74-79

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis):

Food Service Fund	80
Special Trust Fund	80
Uniform School Supplies Fund	80
Public School Support Fund	81
Other Grants Fund	81
District Managed Activity Fund	81
Auxiliary Services Fund	82
Teacher Development Fund	82
Management Information Systems Fund	82
Entry Year Programs Fund	83
Data Communication Fund	83
SchoolNet Professional Development Fund	83
Ohio Reads Fund	84
Summer Intervention Fund	84
Vocational Education Enhancements Fund	84
Miscellaneous State Grants Fund	85
IDEA Part B Grants Fund	85
Vocational Education Fund	85
Title III Limited English Proficiency Fund	86
Title I Disadvantaged Children Fund	86
Title V Innovative Education Program Fund	86
Drug Free School Grant Fund	87
IDEA Preschool-Handicapped Fund	87
Improving Teacher Quality Fund	87
Miscellaneous Federal Grants Fund	88

Individual Fund Schedules - Nonmajor Debt Service Funds:

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis):

Bond Retirement Fund	89
----------------------------	----

Individual Fund Schedules - Nonmajor Capital Projects Funds:

Combining Balance Sheet - Nonmajor Capital Projects Funds	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	91

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis):

Permanent Improvement Fund	92
Building Fund	92

SchoolNet Equipment/Infrastructure Fund	92
Individual Fund Schedules - Private Purpose Trust Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis):	
Scholarship Fund.....	93
Statement of Changes in Assets and Liabilities – Agency Fund	94
III. STATISTICAL SECTION	
Net Assets by Component - Last Three Fiscal Years	97
Changes in Net Assets - Last Three Fiscal Years	98-99
Fund Balances, Governmental Funds - Last Ten Fiscal Years	100-101
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	102-103
Assessed Valuation and Estimated Actual Value of Taxable Property - Last Ten Years	104-105
Direct and Overlapping Property Tax Rates - Last Ten Years	106
Principal Property Tax Payers - December 31, 2004 and December 31, 2000.....	107
Property Tax Levies and Collections - Last Ten Fiscal Years	108-109
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	110
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	111
Direct and Overlapping Governmental Activities Debt as of June 30, 2005.....	112
Legal Debt Margin Information - Last Ten Fiscal Years	113
Demographic and Economic Statistics - Last Ten Fiscal Years	114
Principal Employers - Current Year and Three Years Ago	115
Staffing Statistics Full Time Equivalents by Type and Function – Last Ten Fiscal Years	116
Operating Indicators by Function - Last Ten Fiscal Years	117
Capital Asset Statistics - Last Three Fiscal Years	119
School Building Information - Last Ten Fiscal Years	120-121
Operating Statistics - Last Ten Fiscal Years	122-123

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INTRODUCTORY SECTION



STOW-MUNROE FALLS CITY SCHOOLS

Administrative Offices
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Stow, OH 44224-1082

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(330) 688-1629 • FAX
<http://www.stow.summit.k12.oh.us>



November 30, 2005

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

The Comprehensive Annual Financial Report (CAFR) of the Stow-Munroe Falls City School District (the "District") for the fiscal year ended June 30, 2005 is hereby submitted. This CAFR includes financial statements and other financial and statistical data and conforms to accounting principles generally accepted in the United States of America (GAAP) as they apply to governmental entities. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1. **Introductory Section** - This section contains the Letter of Transmittal, List of Principal Officers, and an Organizational Chart.
2. **Financial Section** - This section begins with the Independent Accountants' Report, the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the District's financial position and operating results, the Combining Statements by Fund Type, and other schedules providing detailed information relative to the Basic Financial Statements.
3. **Statistical Section** - This section presents selected financial and demographic information, generally presented on a multi-year basis.

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

State statute requires an annual audit by independent accountants. The firm of Julian & Grube, Inc. conducted the audit for fiscal year 2005. The audit has been conducted in accordance with generally accepted auditing standards, generally accepted government auditing standards, and include a review of internal controls and tests of compliance with Federal and State laws and regulations. The Independent Accountant's Report is included in this CAFR.

As a part of the District's independent audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the school district has complied with applicable laws and regulations. The results of the District's independent audit for the fiscal year ended June 30, 2005 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

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

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

PROFILE OF STOW-MUNROE FALLS CITY SCHOOL DISTRICT

The District ranks as the 52nd largest by total enrollment among the 613 public school districts in the State of Ohio. As of the current school year (2004-05), the average daily membership (ADM) was 5,937 students attending nine schools.

The District has 721 full and part time employees. The District employs 396 certified staff members and 38 administrators. Additionally, the District employs 287 full-time and part-time non-teaching staff members.

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

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

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

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

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

Employees

A statewide public employee bargaining law applies generally to public employee relations and collective bargaining. The starting salary (2004-05 school year) for a teacher with a bachelor's degree is \$30,797, and the maximum salary for a teacher with a master's degree plus 60 graduate hours and 27 years of experience is \$65,259.

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

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

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

The Reporting Entity

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

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

Budgetary Controls

In addition to the internal control structure mentioned above, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Activities of all funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and object of expenditure within an individual fund. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Unencumbered amounts lapse at year-end. A complete description of the District's Budgetary Process can be found in Note 2.E. to the basic financial statements.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The general fund balance was \$6,966,252 at June 30, 2005 as can be seen on the budgetary statement on page 29.

ECONOMIC CONDITION

Local Economy

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

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

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

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

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

The cities of Stow and Munroe Falls are located in northern Summit County, northeast of Akron and Cuyahoga Falls. They have a reputation for friendliness, hospitality, and have great pride in their history.

They are growing, progressive cities that welcome new business ventures and support their existing ones. The quality schools have played a major role in making the community an attractive family environment which continues to attract quality professional and managerial persons.

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

Long-Term Financial Planning

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

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

Major Initiatives for the Year

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

The District made a significant investment in technology with the purchase of notebook computers for all teaching staff as well as additional mobile labs, which replace outdated desktop computers, for all school buildings during the 2004 – 2005 school year. Teacher notebook computers were purchased with the primary goal of getting teachers comfortable enough with technology to begin to integrate that technology into their daily lessons with students and to migrate to web-based applications such as Progress Book, where teachers can record grades, take attendance, post homework assignments, and allow parents to view this data online. Professional development is ongoing with training focused on Progress Book, productivity tools, and multimedia applications.

The district employs an assistant director of technology and instruction, a technology coordinator, and two technicians, one who works two days a week and the other who works three days a week

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

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

Major Initiatives for the Future

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

The future initiatives will also include the implementation of Mathematics curriculum for 7th & 8th graders in the 2006-2007 school year and the High School shortly after. New career programming in aviation is being considered by the Six-District Educational Compact for the 2006-2007 year.

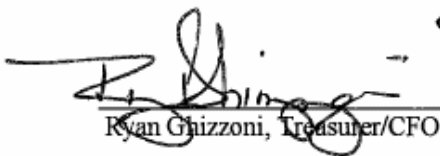
The District will be implementing a structured plan for upgrading and replacing the District fleet of busses, while continuing to refine its permanent improvement plan for future facility upgrades in concert with the Ohio School Facilities Commission. Public meetings will be scheduled for community discussion and direction as the District moves forward to implement its permanent improvement plan.

ACKNOWLEDGEMENTS

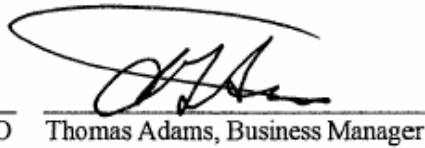
The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services of the Treasurer’s Office staff. In addition, we acknowledge the outstanding services of our data processing department in meeting the vast informational requirements. Our consultant,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

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

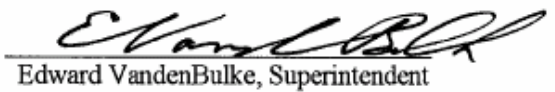
Sincerely,



Ryan Ghizzoni, Treasurer/CFO



Thomas Adams, Business Manager



Edward VandenBulke, Superintendent

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

PRINCIPAL OFFICERS
JUNE 30, 2005

Board of Education

Kathy Armstrong - President

Dawn Doolittle - Vice President

David Alexander

Michael Hoffman

John Priboric

Superintendent

Edward VandenBulke

Treasurer

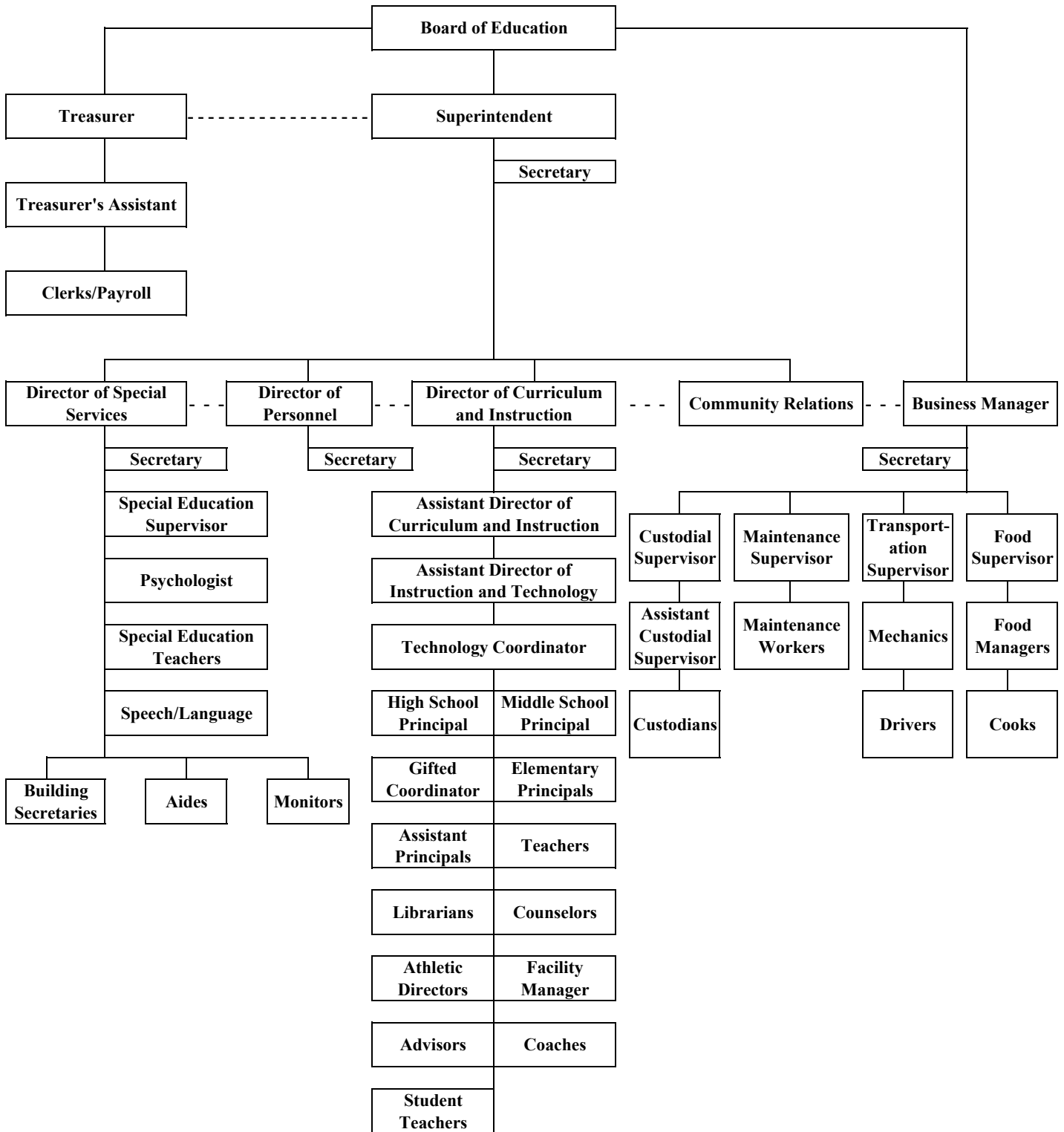
Ryan Ghizzoni

Business Manager

Tom Adams

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

ORGANIZATIONAL CHART



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FINANCIAL SECTION



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the Stow-Munroe Falls City School District, Summit County, Ohio, (the "District"), as of and for the fiscal year ended June 30, 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005.

Independent Auditor's Report
Stow-Munroe Falls City School District
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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



Julian & Grube, Inc.
November 30, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The discussion and analysis of the Stow-Munroe Falls City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 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, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$1,334,305 which represents a 9.99% decrease from 2004.
- General revenues accounted for \$48,706,499 in revenue or 90.71% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,986,087 or 9.29% of total revenues of \$53,692,586.
- The District had \$55,026,891 in expenses related to governmental activities; \$4,986,087 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$48,706,499 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$47,989,814 in revenues and \$50,644,331 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance decreased \$2,654,517 from \$3,284,928 to \$630,411.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 18. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 25-29 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 30 and 31. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-59 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The District as a Whole

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

The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 38,406,891	\$ 38,670,739
Capital assets, net	<u>18,405,011</u>	<u>16,585,347</u>
Total assets	<u>56,811,902</u>	<u>55,256,086</u>
<u>Liabilities</u>		
Current liabilities	33,789,054	33,615,249
Long-term liabilities	<u>10,996,242</u>	<u>8,279,926</u>
Total liabilities	<u>44,785,296</u>	<u>41,895,175</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	13,475,011	13,566,347
Restricted	909,159	1,097,917
Unrestricted (deficit)	<u>(2,357,564)</u>	<u>(1,303,353)</u>
Total net assets	<u>\$ 12,026,606</u>	<u>\$ 13,360,911</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$12,026,606. Of this total, \$909,159 is restricted in use.

At year-end, capital assets represented 32.40% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$13,475,011. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

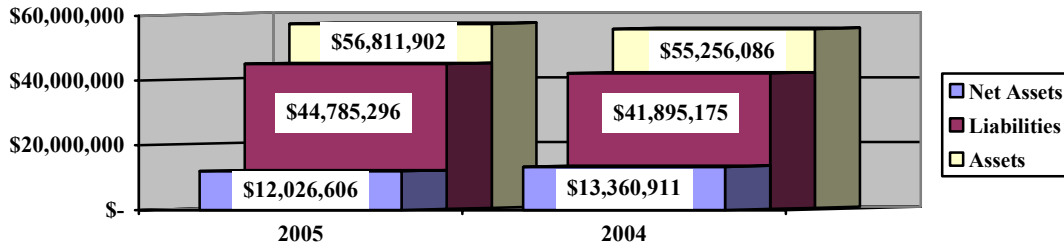
A portion of the District's net assets, \$909,159, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$2,357,564.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The graph below illustrates the District assets, liabilities and net assets at June 30, 2005 and 2004:

Governmental Activities



The table below shows the change in net assets for fiscal year 2005 and 2004.

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,287,011	\$ 2,007,600
Operating grants and contributions	2,649,726	2,141,009
Capital grants and contributions	49,350	17,438
General revenues:		
Property taxes	29,680,952	27,169,033
Grants and entitlements	18,713,795	19,347,434
Investment earnings	263,326	115,986
Other	48,426	181,258
Total revenues	<u>53,692,586</u>	<u>50,979,758</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

	Change in Net Assets	
	Governmental Activities	Governmental Activities
	<u>2005</u>	<u>2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 25,450,276	\$ 23,103,681
Special	4,313,470	3,835,287
Vocational	1,847,273	1,297,268
Adult/continuing	-	250
Other	737,074	936,811
Support services:		
Pupil	3,166,707	2,776,546
Instructional staff	2,985,883	2,650,470
Board of education	289,971	269,601
Administration	3,191,741	2,945,966
Fiscal	1,050,449	1,014,760
Business	445,583	488,385
Operations and maintenance	4,438,153	4,880,797
Pupil transportation	2,960,741	2,894,856
Central	505,640	584,798
Operations of non-instructional services:		
Food service operations	1,386,922	1,444,664
Community services	57,909	501,115
Other	-	50
Extracurricular activities	1,302,681	1,214,993
Intergovernmental	617,552	-
Interest and fiscal charges	<u>278,866</u>	<u>298,510</u>
Total expenses	<u>55,026,891</u>	<u>51,138,808</u>
Change in net assets	(1,334,305)	(159,050)
Net assets at beginning of year	<u>13,360,911</u>	<u>13,519,961</u>
Net assets at end of year	<u>\$ 12,026,606</u>	<u>\$ 13,360,911</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,334,305. Total governmental expenses of \$55,026,891 were offset by program revenues of \$4,986,087 and general revenues of \$48,706,499. Program revenues supported 9.06% of the total governmental expenses.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 90.71% of total governmental revenue. The increase in property taxes is due to the fluctuation of the amount that was available as an advance at year-end on the August real estate settlements for the past three fiscal years. The amount available as an advance at year-end is recorded as property tax revenue. The amounts that were available for advance at June 30, 2005, 2004 and 2003 were approximately \$1.6 million, \$0.9 million, and \$2.2 million, respectively. The amount that is available for advance can vary depending upon when tax bills are sent by the County Auditor.

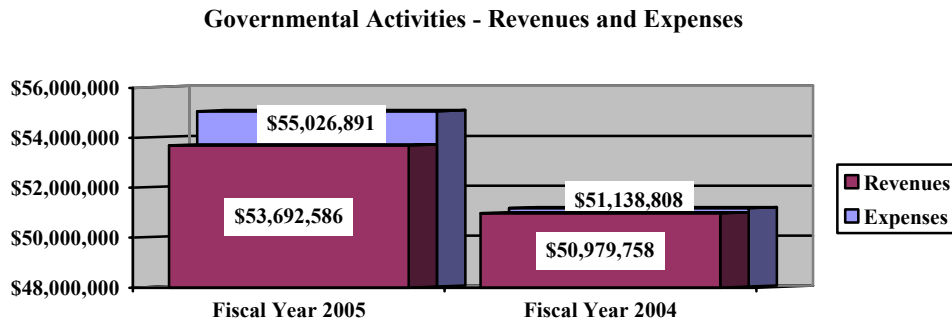
In fiscal 2005, the District was approved for \$1,046,913 in IDEA Part B grant funding revenue, which is a \$390,842 increase from the \$656,071 it was approved for in fiscal 2004. As a result, the District experienced a significant increase in “Operating grants and contributions” revenue for fiscal 2005.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$32,348,093 or 58.79% of total governmental expenses for fiscal 2005.

In January of 2004, the District was notified by the State that there had been a reporting error in the District’s community school EMIS reporting for fiscal year 2004, which resulted in the District receiving funding for approximately 50 full time equivalent students that it was not entitled to. As a result, the District had to pay back approximately \$300,000 in fiscal year 2005 for this error.

For fiscal year 2005, auxiliary service activity is reported as an intergovernmental expense whereas, in fiscal year 2004, this activity was reported as “Operation of non-instructional services – Community Services”.

The graph below presents the District’s governmental activities revenue and expenses for fiscal year 2005 and 2004.



As can be seen in the chart above, both revenues and expenses increases over the prior year, however, revenues increased by 5.32% while expenses increased 7.60%. As a result, net assets decreased \$1,334,305 during fiscal year 2005.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

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

Governmental Activities

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses				
Instruction:				
Regular	\$ 25,450,276	\$ 24,153,062	\$ 23,103,681	\$ 22,184,990
Special	4,313,470	3,775,172	3,835,287	3,425,426
Vocational	1,847,273	1,797,540	1,297,268	1,248,181
Adult/continuing	-	-	250	(344)
Other	737,074	737,074	936,811	936,811
Support services:				
Pupil	3,166,707	2,798,008	2,776,546	2,482,856
Instructional staff	2,985,883	2,889,921	2,650,470	2,560,431
Board of education	289,971	284,649	269,601	263,519
Administration	3,191,741	3,030,260	2,945,966	2,759,851
Fiscal	1,050,449	1,025,254	1,014,760	1,012,084
Business	445,583	445,583	488,385	488,385
Operations and maintenance	4,438,153	4,379,606	4,880,797	4,880,797
Pupil transportation	2,960,741	2,763,476	2,894,856	2,877,418
Central	505,640	474,858	584,798	557,798
Food service operations	1,386,922	95,700	1,444,664	198,828
Operations of non-instructional services	57,909	(2,740)	501,165	4,369
Extracurricular activities	1,302,681	1,019,873	1,214,993	792,851
Intergovernmental pass through	617,552	94,642	-	-
Interest and fiscal charges	278,866	278,866	298,510	298,510
	<u>\$ 55,026,891</u>	<u>\$ 50,040,804</u>	<u>\$ 51,138,808</u>	<u>\$ 46,972,761</u>
Total expenses	<u>\$ 55,026,891</u>	<u>\$ 50,040,804</u>	<u>\$ 51,138,808</u>	<u>\$ 46,972,761</u>

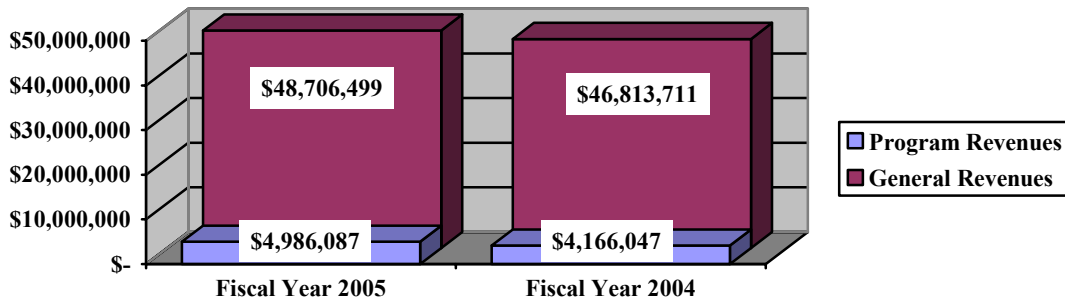
The dependence upon tax and other general revenues for governmental activities is apparent, 94.17% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.94%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.

Governmental Activities - General and Program Revenues



General revenues increased \$1,892,788 or 4.04% from fiscal 2004 to 2005 while program revenues increased \$820,040 or 19.68% from 2004 to 2005. The increase in governmental activities revenues is discussed on pages 15-16.

The District's Funds

The District's governmental funds reported a combined fund balance of \$1,652,177, which is lower than last year's total of \$4,629,429. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	(Decrease)	Percentage Change
General	\$ 630,411	\$ 3,284,928	\$ (2,654,517)	(80.81) %
Other Governmental	<u>1,021,766</u>	<u>1,344,501</u>	<u>(322,735)</u>	(24.00) %
Total	<u>\$ 1,652,177</u>	<u>\$ 4,629,429</u>	<u>\$ (2,977,252)</u>	(64.31) %

General Fund

The District's general fund balance decreased \$2,654,517 (after a restatement to the June 30, 2004, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to expenditures increasing faster than revenues. Expenditures exceed revenues for fiscal year 2005 by \$2,545,193. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Increase (Decrease) <u></u>	Percentage Change <u></u>
<u>Revenues</u>				
Taxes	\$ 28,542,769	\$ 26,027,381	\$ 2,515,388	9.66 %
Earnings on investments	225,688	110,664	115,024	103.94 %
Intergovernmental	18,575,596	19,230,140	(654,544)	(3.40) %
Other revenues	<u>645,761</u>	<u>686,313</u>	<u>(40,552)</u>	(5.91) %
Total	<u>\$ 47,989,814</u>	<u>\$ 46,054,498</u>	<u>\$ 1,935,316</u>	4.20 %
<u>Expenditures</u>				
Instruction	\$ 30,145,906	27,051,442	\$ 3,094,464	11.44 %
Support services	18,478,107	17,799,000	679,107	3.82 %
Non-instructional services	1,997	14,385	(12,388)	(86.12) %
Extracurricular activities	812,843	757,092	55,751	7.36 %
Facilities acquisition and construction	268,876	434,633	(165,757)	(38.14) %
Debt service	<u>827,278</u>	<u>579,092</u>	<u>248,186</u>	42.86 %
Total	<u>\$ 50,535,007</u>	<u>\$ 46,635,644</u>	<u>\$ 3,899,363</u>	8.36 %

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

Tax revenue increased due to the amount that was available as advance at fiscal year end. See page 16 for further discussion on the fluctuation in the amount of property tax that is available to the District as an advance at fiscal year-end.

Due to a decrease in enrollment in fiscal year 2005, the District only offered three-tuition based, all day, kindergartens instead of the four it offered in the previous year. This resulted in a decrease of approximately \$50,000 in revenue from the prior year. In addition, the District did not bill for fiscal year 2003 excess costs until fiscal year 2004, which caused fiscal year 2004 "Other Revenue" to appear higher than it actually was. The excess cost revenue returned to its normal level in fiscal year 2005.

In fiscal year 2005, the District experienced a 4.7% increase in salary expenses from fiscal year 2004, and an additional 9.35% increase in retirement/benefit expenditures. Sub costs also increased \$160,000 from fiscal 2004 to fiscal 2005.

The District increased its Debt Service payments in fiscal 2005, so that the first energy conservation loan that was taken in 1994 and the second energy conservation loan taken in 2000 could be paid off.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

General Fund Budgeting Highlights

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

During the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$47,580,087 and final budgeted revenues and other financing sources were \$47,300,777. Actual revenues and other financing sources for fiscal 2005 was \$47,531,161. This represents a \$230,384 increase over final budgeted revenues, which is the return of prior year advances to the general fund. The District does not budget advances for revenue.

General fund original appropriations (appropriated expenditures including other financing uses) of \$48,732,306 were decreased to \$48,306,436 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$48,306,436, which equaled the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$18,405,011 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Land	\$ 563,915	\$ 563,915
Land improvements	898,026	911,288
Building and improvements	13,884,899	12,742,746
Furniture and equipment	1,123,191	1,142,721
Vehicles	1,934,980	1,224,677
 Total	 \$ 18,405,011	 \$ 16,585,347

The overall increase in capital assets of \$1,819,664 is due to capital outlays of \$3,047,078 exceeding depreciation expense of \$1,227,414 in the fiscal year.

The District invested in a \$1,730,000 energy conservation project in fiscal year 2005 to make improvements to the District's buildings that will save energy costs in future years.

The District replaced 15 buses in the bus fleet in fiscal year 2005 at a cost of \$877,173 using the general fund budget, Permanent Improvement fund cell tower revenue, Public School Support fund coca cola revenue and IDEA Part B Grant fund special education federal grant revenue. The District also decided to purchase a Ford F250 4X4, a Chevy 4X4 truck and a dump truck for the maintenance department in fiscal year 2005, which was increase from the one maintenance truck it purchased in fiscal year 2004.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Debt Administration

At June 30, 2005, the District had \$2,020,000 in energy conservation bond anticipation notes, \$2,910,000 in general obligation bonds, \$2,520,566 in retirement incentive obligations and \$3,545,676 in a compensated absence liability outstanding. Of this total, \$4,775,184 is due within one year and \$6,221,058 is due in greater than one year. The following table summarizes the note and bond obligations outstanding.

Outstanding Bonds and Notes, at Year End

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Energy conservation notes	\$ 2,020,000	\$ 1,059,000
General obligation bonds	<u>2,910,000</u>	<u>3,910,000</u>
Total	<u>\$ 4,930,000</u>	<u>\$ 4,969,000</u>

At June 30, 2005, the District's overall legal debt margin was \$79,067,818 and an unvoted debt margin of \$904,061.

In fiscal year 2005, the District offered an early retirement incentive plan (ERI) to its certified staff, resulting in 31 employees retiring and 4 employees resigning at the end of the 2005 school year. The ERI plan is administrated through the Employee Preferred Corporation (EPC). Certified staff opting to take the ERI will be paid an incentive of \$55,000 and their severance pay over five years through funds that are administered through EPC. The District will make annual payments of \$820,271 over the next three years to EPC for the retiring/resigning employees severance/incentive pay.

The District issued \$3,750,000 and retired \$2,789,000 in bond anticipation notes during fiscal 2005. In addition, the District retired \$1,000,000 in general obligation bonds during fiscal year 2005.

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

Current Financial Related Activities

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

The District is currently facing two challenges. One challenge is the future of the State funding. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Ohio General Assembly was directed to enact a school-funding mechanism that is to be thorough and efficient. The District is unable to determine what effect, if any, this decision will have on future funding from the State.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

In addition to the issues above, the newly enacted H.B. 66 speeds up the phase of the tangible personal property tax of general businesses, telephone and telecommunication companies, and railroads. This phase out will lead to the District eventually losing \$55,000,000 of its tax base. The District continues to get information and opinions, while trying to evaluate them as they affect the five year forecast.

Due to unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ryan Ghizzoni, Treasurer, at Stow-Munroe Falls City School District, 4350 Allen Road, Stow, Ohio 44224.

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

STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 8,495,625
Receivables:	
Taxes	29,429,924
Accounts	51,872
Intergovernmental	383,862
Accrued interest	16,352
Loans.	149
Materials and supplies inventory	29,107
Capital assets:	
Land.	563,915
Depreciable capital assets, net.	17,841,096
Total capital assets, net	<u>18,405,011</u>
 Total assets	 <u>56,811,902</u>
Liabilities:	
Accounts payable.	328,517
Accrued wages and benefits	4,568,605
Pension obligation payable.	1,305,161
Intergovernmental payable	200,228
Deferred revenue	27,346,312
Accrued interest payable	40,231
Long-term liabilities:	
Due within one year.	4,775,184
Due in more than one year	6,221,058
 Total liabilities	 <u>44,785,296</u>
Net Assets:	
Invested in capital assets, net of related debt.	13,475,011
Restricted for:	
Capital projects	70,094
Debt service.	586,147
Set-asides	22,728
Locally funded programs	8,492
State funded programs	58,710
Federally funded programs	9,801
Student activities	66,108
Public school support.	78,514
Other purposes	8,565
Unrestricted (deficit)	<u>(2,357,564)</u>
 Total net assets	 <u>\$ 12,026,606</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 25,450,276	\$ 699,094	\$ 548,770	\$ 49,350	\$ (24,153,062)
Special	4,313,470	-	538,298	-	(3,775,172)
Vocational	1,847,273	40,409	9,324	-	(1,797,540)
Other	737,074	-	-	-	(737,074)
Support services:					
Pupil	3,166,707	152,916	215,783	-	(2,798,008)
Instructional staff	2,985,883	24,033	71,929	-	(2,889,921)
Board of education	289,971	-	5,322	-	(284,649)
Administration	3,191,741	-	161,481	-	(3,030,260)
Fiscal	1,050,449	-	25,195	-	(1,025,254)
Business	445,583	-	-	-	(445,583)
Operations and maintenance	4,438,153	58,547	-	-	(4,379,606)
Pupil transportation	2,960,741	55,710	141,555	-	(2,763,476)
Central	505,640	-	30,782	-	(474,858)
Operation of non-instructional services	57,909	-	60,649	-	2,740
Food service operations	1,386,922	982,914	308,308	-	(95,700)
Extracurricular activities	1,302,681	273,388	9,420	-	(1,019,873)
Intergovernmental	617,552	-	522,910	-	(94,642)
Interest and fiscal charges	278,866	-	-	-	(278,866)
Total governmental activities	\$ 55,026,891	\$ 2,287,011	\$ 2,649,726	\$ 49,350	(50,040,804)
General Revenues:					
Property taxes levied for:					
General purposes					28,523,107
Debt service					1,157,845
Grants and entitlements not restricted to specific programs					18,713,795
Investment earnings					263,326
Miscellaneous					48,426
Total general revenues					48,706,499
Change in net assets					(1,334,305)
Net assets at beginning of year					13,360,911
Net assets at end of year					\$ 12,026,606

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 7,276,699	\$ 1,196,198	\$ 8,472,897
Receivables:			
Taxes	28,288,855	1,141,069	29,429,924
Accounts	47,881	3,991	51,872
Intergovernmental	-	383,862	383,862
Accrued interest	16,352	-	16,352
Interfund loans	297,518	-	297,518
Loans	149	-	149
Materials and supplies inventory	11,734	17,373	29,107
Restricted assets:			
Equity in pooled cash and cash equivalents	22,728	-	22,728
Total assets	\$ 35,961,916	\$ 2,742,493	\$ 38,704,409
Liabilities:			
Accounts payable	\$ 217,530	\$ 110,987	\$ 328,517
Accrued wages and benefits	4,417,659	150,946	4,568,605
Compensated absences payable	30,466	1,949	32,415
Retirement incentive payable	2,520,566	-	2,520,566
Pension obligation payable	1,236,137	69,024	1,305,161
Intergovernmental payable	188,800	11,428	200,228
Interfund loan payable	-	297,518	297,518
Deferred revenue	26,720,347	1,078,875	27,799,222
Total liabilities	35,331,505	1,720,727	37,052,232
Fund Balances:			
Reserved for encumbrances	165,402	130,342	295,744
Reserved for textbooks/instructional materials	22,728	-	22,728
Reserved for unclaimed monies	8,565	-	8,565
Reserved for property tax unavailable for appropriation	1,579,905	65,857	1,645,762
Reserved for debt service	-	546,449	546,449
Unreserved, undesignated (deficit), reported in:			
General fund	(1,146,189)	-	(1,146,189)
Special revenue funds	-	209,024	209,024
Capital projects funds	-	70,094	70,094
Total fund balances	630,411	1,021,766	1,652,177
Total liabilities and fund balances	\$ 35,961,916	\$ 2,742,493	\$ 38,704,409

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total governmental fund balances		\$ 1,652,177
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,405,011
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 437,850	
Interest	11,397	
Intergovernmental revenue	3,663	
Total		452,910
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	2,910,000	
Compensated absences	3,513,261	
Notes payable	2,020,000	
Accrued interest payable	40,231	
Total		(8,483,492)
Net assets of governmental activities		\$ 12,026,606

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 28,542,769	\$ 1,159,277	\$ 29,702,046
Tuition	508,996	-	508,996
Earnings on investments	225,688	26,241	251,929
Charges for services	-	982,914	982,914
Extracurricular	70,719	416,833	487,552
Classroom materials and fees	4,065	152,719	156,784
Other local revenues	61,981	153,848	215,829
Intergovernmental - state	18,575,596	959,067	19,534,663
Intergovernmental - federal	-	1,857,907	1,857,907
Total revenue	<u>47,989,814</u>	<u>5,708,806</u>	<u>53,698,620</u>
Expenditures:			
Current:			
Instruction:			
Regular	23,808,701	891,602	24,700,303
Special	3,744,552	553,422	4,297,974
Vocational	1,855,579	6,613	1,862,192
Other	737,074	-	737,074
Support Services:			
Pupil	2,748,936	402,444	3,151,380
Instructional staff	2,898,794	101,694	3,000,488
Board of education	283,889	6,082	289,971
Administration	2,897,287	197,928	3,095,215
Fiscal	998,283	51,086	1,049,369
Business	435,379	-	435,379
Operations and maintenance	4,397,897	12,114	4,410,011
Pupil transportation	3,365,553	341,281	3,706,834
Central	452,089	57,800	509,889
Operation of non-instructional services	1,997	64,873	66,870
Food service operations	-	1,362,198	1,362,198
Extracurricular activities	812,843	283,755	1,096,598
Intergovernmental pass through	-	596,202	596,202
Facilities acquisition and construction	268,876	1,728,531	1,997,407
Debt service:			
Principal retirement	789,334	2,999,666	3,789,000
Interest and fiscal charges	37,944	233,574	271,518
Total expenditures	<u>50,535,007</u>	<u>9,890,865</u>	<u>60,425,872</u>
Excess of revenues under expenditures	<u>(2,545,193)</u>	<u>(4,182,059)</u>	<u>(6,727,252)</u>
Other financing sources (uses):			
Transfers in	-	109,324	109,324
Transfers (out)	(109,324)	-	(109,324)
Issuance of notes	-	3,750,000	3,750,000
Total other financing sources (uses)	<u>(109,324)</u>	<u>3,859,324</u>	<u>3,750,000</u>
Net change in fund balances	(2,654,517)	(322,735)	(2,977,252)
Fund balances			
at beginning of year (restated)	3,284,928	1,344,501	4,629,429
Fund balances at end of year	<u>\$ 630,411</u>	<u>\$ 1,021,766</u>	<u>\$ 1,652,177</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ (2,977,252)

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

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

Capital asset additions	\$ 3,047,078	
Current year depreciation	(1,227,414)	
Total		1,819,664

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (7,348)

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

Taxes	(21,094)	
Intergovernmental	3,663	
Interest	11,397	
Total		(6,034)

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

Bonds	1,000,000	
Notes	2,789,000	
Total		3,789,000

The issuance of notes are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (3,750,000)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (202,335)

Change in net assets of governmental activities \$ (1,334,305)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 27,978,574	\$ 27,814,331	\$ 27,814,331	\$ -
Tuition.	470,290	467,529	467,529	-
Classroom materials and fees	4,089	4,065	4,065	-
Earnings on investments.	217,279	216,004	216,004	-
Extracurricular.	70,634	70,219	70,219	-
Other local revenues.	111,802	111,146	111,146	-
Intergovernmental - State	18,685,659	18,575,968	18,575,968	-
Total revenue	<u>47,538,327</u>	<u>47,259,262</u>	<u>47,259,262</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	21,983,845	21,837,694	21,837,694	-
Special.	3,512,714	3,489,361	3,489,361	-
Vocational.	1,611,706	1,593,041	1,593,041	-
Other.	778,199	773,025	773,025	-
Support Services:				
Pupil.	2,595,124	2,545,677	2,545,677	-
Instructional staff	2,661,208	2,610,502	2,610,502	-
Board of education	305,727	299,902	299,902	-
Administration.	2,840,037	2,785,924	2,785,924	-
Fiscal	1,038,786	1,018,993	1,018,993	-
Business	488,465	479,158	479,158	-
Operations and maintenance.	4,693,376	4,603,950	4,603,950	-
Pupil transportation	3,447,160	3,381,479	3,381,479	-
Central.	553,412	542,867	542,867	-
Operation of non-instructional services	16,794	15,032	15,032	-
Extracurricular activities.	783,427	821,220	821,220	-
Facilities acquisition and construction.	284,826	274,276	274,276	-
Debt service:				
Principal retirement	799,087	789,334	789,334	-
Interest and fiscal charges	38,413	37,944	37,944	-
Total expenditures	<u>48,432,306</u>	<u>47,899,379</u>	<u>47,899,379</u>	<u>-</u>
Excess of revenues over (under) expenditures.	(893,979)	(640,117)	(640,117)	-
Other financing sources (uses):				
Refund of prior year expenditure	41,691	41,446	41,446	-
Transfers (out)	(100,000)	(109,324)	(109,324)	-
Advances in.	69	69	230,453	230,384
Advances (out)	(200,000)	(297,733)	(297,733)	-
Total other financing sources (uses)	<u>(258,240)</u>	<u>(365,542)</u>	<u>(135,158)</u>	<u>230,384</u>
Net change in fund balance	(1,152,219)	(1,005,659)	(775,275)	230,384
Fund balance at beginning of year	6,413,101	6,413,101	6,413,101	-
Prior year encumbrances appropriated	1,328,426	1,328,426	1,328,426	-
Fund balance at end of year	\$ 6,589,308	\$ 6,735,868	\$ 6,966,252	\$ 230,384

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 70,155	\$ 136,885
Receivables:		
Accounts	1,037	681
	71,192	137,566
Total assets		\$ 137,566
Liabilities:		
Accounts payable	\$ 100	\$ 1,612
Loans payable	149	-
Due to students	-	135,954
	249	137,566
Total liabilities		\$ 137,566
Net Assets:		
Held in trust for scholarships	70,943	
Total net assets	\$ 70,943	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 3,116
Gifts and contributions.	34,346
Total additions.	37,462
Deductions:	
Payments in accordance with trust agreements	25,684
Change in net assets	11,778
Net assets at beginning of year.	59,165
Net assets at end of year	\$ 70,943

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Stow-Munroe Falls City School District (the "District") operates under a locally-elected, five-member Board form of government and provides educational services as authorized or mandated by state and/or federal agencies. This Board controls the District's nine instructional/support facilities staffed by 325 non-certificated employees and 396 certificated teaching personnel to provide services to approximately 5,937 students and other community members.

The District is the 52nd largest among the 613 public school districts in the State of Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

RELATED ORGANIZATION

Stow-Munroe Falls Public Library

The Stow-Munroe Falls Public Library (the "Library") is a related organization to the District. The District's Board of Education is responsible for appointing all the trustees of the Library; however, the District's Board of Education cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District serves as the taxing authority and may issue tax related debt on behalf of the Library, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. The Library did not receive any funding from the District during the fiscal year 2005; however, the District continues to service debt issued on behalf of the Library (see Note 9.A).

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet)

Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Data Acquisition Site (DAS) used by the District. NEOnet is an association of public school districts in a geographic area determined by the Ohio department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Board of Education. All districts in the consortium are required to pay fees, charges, and assessments as charges. NEOnet is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During fiscal year 2005, the District contributed \$104,383 to NEOnet. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Ave., Suite 200, Cuyahoga Falls, Ohio 44221.

Six District Educational Compact

The Six District Educational Compact is a jointly governed organization to provide for the vocational and special education needs of the students of six participating school districts. The six member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the six districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Cuyahoga Falls City School District and Hudson City School District serve as the fiscal agents for this agreement, collecting and distributing payments. All revenues are generated from charges for services. The District paid \$313,938 to the Six District Educational Compact for services during fiscal year 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2005, the District paid \$444,769 to the Council. Financial information can be obtained by contacting Albert G. Basek, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131.

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

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

PUBLIC ENTITY RISK POOL

Stark County Schools Council of Government Health Benefits Program

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 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.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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

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

F. Cash and Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

During fiscal year 2005, investments were limited to federal agency securities, US Treasury money market funds, non-negotiable certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes, all investment earnings are assigned to the general fund except those specifically related to certain trust funds, unless the Board of Education specifically directs interest to be recorded in other funds. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$225,688 which includes \$15,870 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintained a capitalization threshold of \$5,000 for its general capital assets during fiscal 2005. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

I. Interfund Balances

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

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

J. Compensated Absences

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, textbook/instructional materials, unclaimed monies, tax advance unavailable for appropriation and debt service. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved.

M. Net Assets

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

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

N. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other government or imposed by enabling legislation. The District has reported restricted assets for the textbook and instructional materials in accordance with state statute (see Note 16).

O. Estimates

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions of events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2005, the District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND ACCOUNTABILITY

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" and GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section."

GASB Statement No. 40 establishes and modified 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 modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

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

The implementation of GASB Statements No. 40 and 44 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major governmental funds of the District as they were previously reported as of June 30, 2004:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND ACCOUNTABILITY

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 3,689,333	\$ 1,370,703	\$ 5,060,036
GASB Technical Bulletin No. 2004-2	(404,405)	(26,202)	(430,607)
Restated Fund Balance, June 30, 2004	\$ 3,284,928	\$ 1,344,501	\$ 4,629,429

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficit:

	<u>Deficit</u>
<u>Nonmajor Governmental Fund</u>	
Food Service	\$ 101,224
Title III Limited English Proficiency	16

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. These deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$2,623,778, exclusive of the \$520,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$2,997,648 of the District's bank balance of \$3,201,897 was exposed to custodial risk as discussed below, while \$204,249 was covered by Federal Deposit Insurance Corporation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
Repurchase Agreement	\$ 520,000	\$ 520,000	\$ -	\$ -
US Treasury Money Market	246,403	246,403	-	-
FHLMC Discount Note	1,967,720	520,672	1,447,048	-
FHLMC	99,875	99,875	-	-
FNMA Discount Note	507,780	-	507,780	-
FHLB	2,187,871	993,860	1,194,011	-
FNMA	548,188	349,063	-	199,125
	<u>\$ 6,077,837</u>	<u>\$ 2,729,873</u>	<u>\$ 3,148,839</u>	<u>\$ 199,125</u>

The weighted average maturity of investments is .56 years.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 2,187,871	36.00
FHLMC	99,875	1.64
FHLMC DN	1,967,720	32.38
FNMA	548,188	9.02
FNMA DN	507,780	8.35
REPO	520,000	8.56
US Treasury MM	246,403	4.05
	<u>\$ 6,077,837</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 2,623,778
Investments	6,077,837
Cash on hand	<u>1,050</u>
Total	<u>\$ 8,702,665</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 8,495,625
Private-purpose trust fund	70,155
Agency fund	<u>136,885</u>
Total	<u>\$ 8,702,665</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2005 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	<u>\$ 297,518</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental Funds from:	<u>Amount</u>
General Fund	<u>\$ 109,324</u>

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

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

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

<u>Loan to</u>	<u>Loan from</u>	<u>Amount</u>
Private-purpose trust	General	<u>\$ 149</u>

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$1,579,905 in the general fund and \$65,857 in the bond retirement debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$851,467 in the general fund and \$31,612 in the bond retirement debt service funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES – (Continued)

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

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 816,206,050	92.12	\$ 838,347,610	92.73
Public utility personal	12,819,450	1.45	13,080,400	1.45
Tangible personal property	<u>56,950,308</u>	<u>6.43</u>	<u>52,633,230</u>	<u>5.82</u>
Total	<u>\$ 885,975,808</u>	<u>100.00</u>	<u>\$ 904,061,240</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.93		\$ 47.93	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the receivables reported on the Statement of Net Assets follows:

Governmental Activities:	
Taxes	\$ 29,429,924
Accounts	51,872
Accrued interest	16,352
Intergovernmental	<u>383,862</u>
Total	<u>\$ 29,882,010</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 563,915	\$ -	\$ -	\$ 563,915
Total capital assets, not being depreciated	<u>563,915</u>	<u>-</u>	<u>-</u>	<u>563,915</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,645,453	92,567	-	2,738,020
Buildings and improvements	28,849,767	1,916,557	-	30,766,324
Furniture, fixtures and equipment	3,530,111	141,289	-	3,671,400
Vehicles	<u>3,351,266</u>	<u>896,665</u>	<u>-</u>	<u>4,247,931</u>
Total capital assets, being depreciated	<u>38,376,597</u>	<u>3,047,078</u>	<u>-</u>	<u>41,423,675</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,734,165)	(105,829)	-	(1,839,994)
Buildings and improvements	(16,107,021)	(774,404)	-	(16,881,425)
Furniture, fixtures and equipment	(2,387,390)	(160,819)	-	(2,548,209)
Vehicles	<u>(2,126,589)</u>	<u>(186,362)</u>	<u>-</u>	<u>(2,312,951)</u>
Total accumulated depreciation	<u>(22,355,165)</u>	<u>(1,227,414)</u>	<u>-</u>	<u>(23,582,579)</u>
Governmental activities capital assets, net	<u>\$ 16,585,347</u>	<u>\$ 1,819,664</u>	<u>\$ -</u>	<u>\$ 18,405,011</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 816,603
Special	5,216

Support Services:

Pupil	3,938
Instructional staff	2,743
Administration	7,946
Fiscal	2,384
Operations and maintenance	123,974
Pupil transportation	40,082
Operation of non-instructional	1,683
Extracurricular activities	204,526
Food service operations	<u>18,319</u>

Total depreciation expense \$ 1,227,414

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2005, the following changes occurred in the governmental activities long-term obligations.

	Balance 06/30/04	Additions	Reductions	Balance 06/30/05	Amounts Due in One Year
Governmental Activities:					
<u>Bond Anticipation Notes</u>					
Energy conservation, 1.73%	\$ 222,000	\$ -	\$ (222,000)	\$ -	\$ -
Energy conservation, 2.39%	303,000	290,000	(303,000)	290,000	290,000
Energy conservation, 1.73%	534,000	-	(534,000)	-	-
Energy conservation, 1.82%	-	1,730,000	(1,730,000)	-	-
Energy conservation, 2.39%	-	1,730,000	-	1,730,000	1,730,000
	<u>1,059,000</u>	<u>3,750,000</u>	<u>(2,789,000)</u>	<u>2,020,000</u>	<u>2,020,000</u>
<u>General Obligation Bonds</u>					
1985 School Building, 9.125%	1,770,000	-	(590,000)	1,180,000	590,000
1996 Public Library, 5.33%	1,950,000	-	(350,000)	1,600,000	370,000
1996 Allen Rd., 5.16%	190,000	-	(60,000)	130,000	65,000
	<u>3,910,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>2,910,000</u>	<u>1,025,000</u>
<u>Other Obligations:</u>					
Retirement incentive payable	-	2,520,566	-	2,520,566	1,253,138
Compensated absences	3,310,926	772,923	(538,173)	3,545,676	477,046
	<u>3,310,926</u>	<u>3,293,489</u>	<u>(538,173)</u>	<u>6,066,242</u>	<u>1,730,184</u>
Total governmental activities long-term obligations	<u>\$ 8,279,926</u>	<u>\$ 7,043,489</u>	<u>\$ (4,327,173)</u>	<u>\$ 10,996,242</u>	<u>\$ 4,775,184</u>

Bond Anticipation Notes

During fiscal year 2005, the issued and retired \$3,750,000 and \$2,789,000 in bond anticipation notes, respectively. The notes were issued to provide for energy improvements to various District buildings. The notes outstanding at year-end will mature on December 9, 2005. These notes are considered long-term obligations in accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected To Be Refinanced" since they were refinanced on a long-term basis prior to the issuance of the financial statements. During fiscal year 2005, principal payments on the bond anticipation notes were made from the general fund, debt service fund (a nonmajor governmental fund) and the Building capital projects fund (a nonmajor governmental fund) in the amounts of \$729,334, \$2,020,000 and \$39,666, respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds

In fiscal years 1986 and 1997, the District issued \$11,800,000 and \$3,952,000, respectively, of general obligation bonds. These bonds were issued for the financing of improvements to the District's High School and public library buildings. These bonds, maturing on December 1, 2006 and 2008, respectively, will be retired with voted property tax levies recorded in the debt service fund. Also, in fiscal year 1997, the District issued an additional \$530,000 in general obligation bonds for the purchase of an administration building. These bonds are scheduled to mature on December 1, 2006. During fiscal year 2005, principal payments on the general obligation bonds were made from the general fund and debt service fund (a nonmajor governmental fund) in the amounts of \$60,000 and \$940,000, respectively.

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

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,025,000	\$ 160,556
2007	1,045,000	83,732
2008	410,000	34,085
2009	<u>430,000</u>	<u>11,610</u>
Total	<u>\$ 2,910,000</u>	<u>\$ 289,983</u>

Retirement Incentive Payable

During fiscal 2005, the District offered certified employees a retirement incentive equal to a one-time bonus of \$55,000 in addition to normal severance payments. Thirty-five employees accepted the incentive and elected to retire. The total liability for all payments required under this incentive at June 30, 2005 is \$2,520,566. This liability will be paid in two installments during September 2005 and September 2006. The retirement incentive will be paid from the fund from which the employee is paid and is recorded as a liability on both the fund and government-wide financial statements.

Compensated Absences

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

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$79,067,818 an unvoted debt margin of \$904,061.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

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

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

The District has contracted with Stark County Schools Council of Government (the "Consortium") to provide medical/surgical, dental, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The Consortium is a shared risk pool comprised of forty-two members. The members pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating entities and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$250,000 per participants and an aggregate stop-loss provision of \$69,159,978.

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

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

	2005	2004
Cash and investments	\$ 13,544,585	\$ 11,306,366
Actuarial liabilities	7,554,000	6,841,000

C. Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 11 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$812,316, \$622,239 and \$617,526, respectively; 42.19% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$469,625 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$3,010,370, \$2,808,936, and \$2,827,129, respectively; 87.02% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$390,799 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$10,313 made by the District and \$40,497 made by plan members.

C. Social Security System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$231,567 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$416,956 during the 2005 fiscal year.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (775,275)
Net adjustment for revenue accruals	730,552
Net adjustment for expenditure accruals	(2,949,381)
Net adjustment for other sources/uses	25,834
Adjustment for encumbrances	<u>313,753</u>
GAAP basis	<u>\$ (2,654,517)</u>

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 14 – CONTINGENCIES - (Continued)

C. State School Funding Decision

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

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

NOTE 15 – CONTRACTUAL COMMITMENTS

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

Project	Original Commitment	Spent-to-Date	Remaining Commitment
Computer Purchase	\$885,793	(\$221,448)	\$664,345

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside cash balance as of June 30, 2004	\$ (18,195)	\$ -
Current year set-aside requirement	882,628	882,628
Qualifying disbursements	(841,705)	(2,029,295)
Total	\$ 22,728	\$ (1,146,667)
Cash balance carried forward to FY 2006	\$ 22,728	\$ -

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 16 - STATUTORY RESERVES – (Continued)

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

A schedule of the governmental restricted assets at June 30, 2005 follows:

Amounts restricted for textbooks/instructional materials	<u>\$ 22,728</u>
Total restricted assets	<u>\$ 22,728</u>

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COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES

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

Nonmajor Special Revenue Funds

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

Food Service Fund Section 3313.81, Revised Code

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

Special Trust Fund Section 5705.09, Revised Code

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

Uniform School Supplies Fund Section 3313.81, Revised Code

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

Public School Support Fund Section 5705.12, Revised Code

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

Other Grants Fund Sections 5705.09 and 5705.13, Revised Code

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

District Managed Activity Fund Section 3313.062, Revised Code

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

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

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

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

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

Management Information Systems Fund Am. Sub. HB 111

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

Entry Year Programs Fund Section 3313.024, Revised Code

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

Data Communication Fund Section 5705.09, Revised Code

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

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

Nonmajor Special Revenue Funds

SchoolNet Professional Development Fund

Section 5705.09, Revised Code

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

Ohio Reads Fund

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

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

Summer Intervention Fund

State Line Item Appropriation GRF 200-513

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

Vocational Education Enhancements Fund

State Line Item Appropriation GRF 200-545

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

Miscellaneous State Grants Fund

Section 5705.12, Revised Code

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

IDEA Part B Grants Fund

Education of the Handicapped Act, PL 91-230

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

Vocational Education Fund

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

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

Title III Limited English Proficiency

Catalog of Federal Domestic Assistance #81-041

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

Title I Disadvantaged Children Fund

PL 97-35; Title I EESA 1965

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

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

Nonmajor Special Revenue Funds

Title V Innovative Education Program Fund

PL 97-35; EESA 1965

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

Drug Free School Grant Fund

Catalog of Federal Domestic Assistance #84-166

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

IDEA Preschool-Handicapped Fund

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

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

Improving Teacher Quality Fund

Catalog of Domestic Assistance #84-340

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

Miscellaneous Federal Grants Fund

Section 5705.12, Revised Code

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

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

Nonmajor Debt Service Fund

Section 5705.09, Revised Code

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

Nonmajor Capital Projects Fund

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

Permanent Improvement Fund

Section 5705.10, Revised Code

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

Building Fund

Section 5705.09, Revised Code

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

SchoolNet Equipment/Infrastructure Fund

Section 5705.09, Revised Code

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

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 579,655	\$ 546,449	\$ 70,094	\$ 1,196,198
Receivables:				
Taxes.	-	1,141,069	-	1,141,069
Accounts.	3,991	-	-	3,991
Intergovernmental	383,862	-	-	383,862
Materials and supplies inventory	17,373	-	-	17,373
Total assets.	<u>\$ 984,881</u>	<u>\$ 1,687,518</u>	<u>\$ 70,094</u>	<u>\$ 2,742,493</u>
Liabilities:				
Accounts payable.	\$ 110,987	\$ -	\$ -	\$ 110,987
Accrued wages and benefits	150,946	-	-	150,946
Compensated absences payable	1,949	-	-	1,949
Pension obligation payable.	69,024	-	-	69,024
Intergovernmental payable	11,428	-	-	11,428
Interfund loan payable	297,518	-	-	297,518
Deferred revenue	3,663	1,075,212	-	1,078,875
Total liabilities	<u>645,515</u>	<u>1,075,212</u>	<u>-</u>	<u>1,720,727</u>
Fund balances:				
Reserved for encumbrances.	130,342	-	-	130,342
Reserved for debt service.	-	546,449	-	546,449
Reserved for property tax unavailable for appropriation	-	65,857	-	65,857
Unreserved:				
Undesignated, reported in:				
Special revenue funds	209,024	-	-	209,024
Capital projects funds	-	-	70,094	70,094
Total fund balances	<u>339,366</u>	<u>612,306</u>	<u>70,094</u>	<u>1,021,766</u>
Total liabilities and fund balances.	<u>\$ 984,881</u>	<u>\$ 1,687,518</u>	<u>\$ 70,094</u>	<u>\$ 2,742,493</u>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ -	\$ 1,159,277	\$ -	\$ 1,159,277
Earnings on investments	4,831	-	21,410	26,241
Charges for services	982,914	-	-	982,914
Extracurricular	416,833	-	-	416,833
Classroom materials and fees	152,719	-	-	152,719
Other local revenues	114,537	-	39,311	153,848
Intergovernmental - State	771,518	138,199	49,350	959,067
Intergovernmental - Federal	1,857,907	-	-	1,857,907
Total revenues	<u>4,301,259</u>	<u>1,297,476</u>	<u>110,071</u>	<u>5,708,806</u>
Expenditures:				
Current:				
Instruction:				
Regular	742,665	-	148,937	891,602
Special	553,422	-	-	553,422
Vocational	6,613	-	-	6,613
Support services:				
Pupil	402,444	-	-	402,444
Instructional staff	101,694	-	-	101,694
Board of education	6,082	-	-	6,082
Administration	197,928	-	-	197,928
Fiscal	25,811	16,745	8,530	51,086
Operations and maintenance	1,928	-	10,186	12,114
Pupil transportation	216,251	-	125,030	341,281
Central	57,800	-	-	57,800
Operation of non-instructional services	64,873	-	-	64,873
Food service operations	1,362,198	-	-	1,362,198
Extracurricular activities	278,970	-	4,785	283,755
Intergovernmental pass through	596,202	-	-	596,202
Facilities acquisition and construction	-	-	1,728,531	1,728,531
Debt service:				
Principal retirement	-	2,960,000	39,666	2,999,666
Interest and fiscal charges	-	233,574	-	233,574
Total expenditures	<u>4,614,881</u>	<u>3,210,319</u>	<u>2,065,665</u>	<u>9,890,865</u>
Excess of revenues under expenditures	(313,622)	(1,912,843)	(1,955,594)	(4,182,059)
Other financing sources:				
Transfers in	109,324	-	-	109,324
Issuance of notes	-	2,020,000	1,730,000	3,750,000
Total other financing sources	<u>109,324</u>	<u>2,020,000</u>	<u>1,730,000</u>	<u>3,859,324</u>
Net change in fund balances	(204,298)	107,157	(225,594)	(322,735)
Fund balances				
at beginning of year (restated)	543,664	505,149	295,688	1,344,501
Fund balances at end of year	<u>\$ 339,366</u>	<u>\$ 612,306</u>	<u>\$ 70,094</u>	<u>\$ 1,021,766</u>

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

	<u>Food Service</u>	<u>Special Trust</u>	<u>Uniform School Supplies</u>	<u>Public School Support</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 501	\$ 46,265	\$ 123,609	\$ 81,191
Receivables:				
Accounts.	-	281	57	142
Intergovernmental	34,228	-	-	-
Materials and supplies inventory	17,373	-	-	-
Total assets.	<u>\$ 52,102</u>	<u>\$ 46,546</u>	<u>\$ 123,666</u>	<u>\$ 81,333</u>
Liabilities:				
Accounts payable.	\$ 141	\$ 755	\$ -	\$ 2,819
Accrued wages and benefits	88,715	-	-	-
Compensated absences payable	1,949	-	-	-
Pension obligation payable.	59,574	-	-	-
Intergovernmental payable	2,947	-	-	-
Interfund loan payable	-	-	1,349	-
Deferred revenue.	-	-	-	-
Total liabilities.	<u>153,326</u>	<u>755</u>	<u>1,349</u>	<u>2,819</u>
Fund balances (deficits):				
Reserved for encumbrances	58	4,739	8,224	-
Unreserved-undesignated (deficit)	<u>(101,282)</u>	<u>41,052</u>	<u>114,093</u>	<u>78,514</u>
Total fund balances (deficits)	<u>(101,224)</u>	<u>45,791</u>	<u>122,317</u>	<u>78,514</u>
Total liabilities and fund balances.	<u>\$ 52,102</u>	<u>\$ 46,546</u>	<u>\$ 123,666</u>	<u>\$ 81,333</u>

Other Grants	District Managed Activity	Auxiliary Services	Teacher Development	Management Information Systems	Entry Year Programs
\$ 8,516	\$ 64,680	\$ 169,418	\$ 4,733	\$ 10,723	\$ 2,248
-	3,511	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 8,516</u>	<u>\$ 68,191</u>	<u>\$ 169,418</u>	<u>\$ 4,733</u>	<u>\$ 10,723</u>	<u>\$ 2,248</u>
\$ 22	\$ 1,777	\$ 69,793	\$ -	\$ 5,703	\$ 328
-	-	18,539	-	2,588	-
-	-	-	-	-	-
-	-	3,702	-	-	-
2	16	944	-	256	62
-	290	24,548	-	-	-
-	-	-	-	-	-
<u>24</u>	<u>2,083</u>	<u>117,526</u>	<u>-</u>	<u>8,547</u>	<u>390</u>
-	9,628	94,086	-	334	1,753
<u>8,492</u>	<u>56,480</u>	<u>(42,194)</u>	<u>4,733</u>	<u>1,842</u>	<u>105</u>
<u>8,492</u>	<u>66,108</u>	<u>51,892</u>	<u>4,733</u>	<u>2,176</u>	<u>1,858</u>
<u>\$ 8,516</u>	<u>\$ 68,191</u>	<u>\$ 169,418</u>	<u>\$ 4,733</u>	<u>\$ 10,723</u>	<u>\$ 2,248</u>

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

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

	SchoolNet Professional Development	Ohio Reads	Summer Intervention	Vocational Education Enhancements
Assets:				
Equity in pooled cash and cash equivalents.	\$ 4,140	\$ 542	\$ 621	\$ -
Receivables:				
Accounts.	-	-	-	-
Intergovernmental	-	990	3,120	847
Materials and supplies inventory	-	-	-	-
	-	-	-	-
Total assets.	\$ 4,140	\$ 1,532	\$ 3,741	\$ 847
Liabilities:				
Accounts payable.	\$ -	\$ -	\$ -	\$ -
Accrued wages and benefits	-	-	-	-
Compensated absences payable	-	-	-	-
Pension obligation payable.	-	-	16	-
Intergovernmental payable	-	93	198	-
Interfund loan payable	-	956	177	847
Deferred revenue.	-	-	3,120	-
	-	-	3,120	-
Total liabilities.	-	1,049	3,511	847
Fund balances (deficits):				
Reserved for encumbrances	-	-	621	-
Unreserved-undesignated (deficit)	4,140	483	(391)	-
	4,140	483	230	-
Total fund balances (deficits)	4,140	483	230	-
Total liabilities and fund balances.	\$ 4,140	\$ 1,532	\$ 3,741	\$ 847

Miscellaneous State Grants	IDEA Part B Grants	Vocational Education	Title III Limited English Proficiency	Title I Disadvantaged Children	Title V Innovative Education Program
\$ 9,837	\$ 36,710	\$ 7,253	\$ -	\$ -	\$ 104
-	-	-	-	-	-
1,980	275,352	-	-	28,143	9,753
-	-	-	-	-	-
<u>\$ 11,817</u>	<u>\$ 312,062</u>	<u>\$ 7,253</u>	<u>\$ -</u>	<u>\$ 28,143</u>	<u>\$ 9,857</u>
\$ -	\$ 25,522	\$ -	\$ -	\$ -	\$ -
-	25,211	6,160	-	-	-
-	-	-	-	-	-
-	4,372	-	-	-	-
-	4,658	290	16	1,055	98
-	219,643	-	-	25,420	7,046
-	-	-	-	-	-
-	279,406	6,450	16	26,475	7,144
-	7,888	-	-	-	102
<u>11,817</u>	<u>24,768</u>	<u>803</u>	<u>(16)</u>	<u>1,668</u>	<u>2,611</u>
<u>11,817</u>	<u>32,656</u>	<u>803</u>	<u>(16)</u>	<u>1,668</u>	<u>2,713</u>
<u>\$ 11,817</u>	<u>\$ 312,062</u>	<u>\$ 7,253</u>	<u>\$ -</u>	<u>\$ 28,143</u>	<u>\$ 9,857</u>

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

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

	Drug Free School Grant	IDEA Preschool- Handicapped	Improving Teacher Quality	Miscellaneous Federal Grants
Assets:				
Equity in pooled cash and cash equivalents.	\$ 3,622	\$ 2,221	\$ 1,594	\$ 1,127
Receivables:				
Accounts.	-	-	-	-
Intergovernmental	7,551	6,939	10,975	3,984
Materials and supplies inventory	-	-	-	-
Total assets.	\$ 11,173	\$ 9,160	\$ 12,569	\$ 5,111
Liabilities:				
Accounts payable.	\$ 1,526	\$ 1,166	\$ 1,435	\$ -
Accrued wages and benefits	-	1,167	8,566	-
Compensated absences payable	-	-	-	-
Pension obligation payable.	-	-	1,360	-
Intergovernmental payable	7	294	492	-
Interfund loan payable	7,579	5,032	646	3,985
Deferred revenue.	543	-	-	-
Total liabilities.	9,655	7,659	12,499	3,985
Fund balances (deficits):				
Reserved for encumbrances	2,056	779	74	-
Unreserved-undesignated (deficit)	(538)	722	(4)	1,126
Total fund balances (deficits)	1,518	1,501	70	1,126
Total liabilities and fund balances.	\$ 11,173	\$ 9,160	\$ 12,569	\$ 5,111

**Total
Nonmajor
Special Revenue
Funds**

\$ 579,655

3,991
383,862

17,373

\$ 984,881

\$ 110,987
150,946
1,949
69,024
11,428
297,518

3,663

645,515

130,342

209,024

339,366

\$ 984,881

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Food Service</u>	<u>Special Trust</u>	<u>Uniform School Supplies</u>	<u>Public School Support</u>
Revenues:				
From local sources:				
Earnings on investments	\$ 469	\$ -	\$ -	\$ -
Charges for services	982,914	-	-	-
Extracurricular	-	-	-	152,234
Classroom materials and fees.	-	80	152,639	-
Other local revenues	-	59,134	-	30,000
Intergovernmental - State	6,019	-	-	-
Intergovernmental - Federal	302,289	-	-	-
Total revenues	<u>1,291,691</u>	<u>59,214</u>	<u>152,639</u>	<u>182,234</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	-	148,145	-
Special	-	-	-	-
Vocational	-	-	-	-
Support services:				
Pupil	-	32,983	-	148,929
Instructional staff.	-	23,074	-	-
Board of education.	-	-	-	-
Administration	-	-	-	-
Fiscal.	-	-	-	-
Operations and maintenance	-	-	-	-
Pupil transportation	-	-	-	69,978
Central	-	-	-	-
Operation of non-instructional services.	-	-	-	-
Food service operations.	1,362,198	-	-	-
Extracurricular activities	-	795	-	10,000
Intergovernmental pass through	-	-	-	-
Total expenditures	<u>1,362,198</u>	<u>56,852</u>	<u>148,145</u>	<u>228,907</u>
Excess of revenues over (under) expenditures	<u>(70,507)</u>	<u>2,362</u>	<u>4,494</u>	<u>(46,673)</u>
Other financing sources:				
Transfers in.	51,533	-	-	-
Total other financing sources	<u>51,533</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.	(18,974)	2,362	4,494	(46,673)
Fund balances (deficits) at beginning of year (restated)	<u>(82,250)</u>	<u>43,429</u>	<u>117,823</u>	<u>125,187</u>
Fund balances (deficits) at end of year	<u>\$ (101,224)</u>	<u>\$ 45,791</u>	<u>\$ 122,317</u>	<u>\$ 78,514</u>

<u>Other Grants</u>	<u>District Managed Activity</u>	<u>Auxiliary Services</u>	<u>Teacher Development</u>	<u>Management Information Systems</u>	<u>Entry Year Programs</u>
\$ -	\$ -	\$ 4,362	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	264,599	-	-	-	-
-	-	-	-	-	-
7,218	18,185	-	-	-	-
-	-	522,910	-	19,223	17,600
-	-	-	-	-	-
<u>7,218</u>	<u>282,784</u>	<u>527,272</u>	<u>-</u>	<u>19,223</u>	<u>17,600</u>
2,167	-	-	-	2,419	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	15,742
-	-	-	-	-	-
6,082	-	-	-	-	-
-	-	-	-	51,096	-
-	-	-	-	-	-
-	1,928	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	268,175	-	-	-	-
-	-	596,202	-	-	-
<u>8,249</u>	<u>270,103</u>	<u>596,202</u>	<u>-</u>	<u>53,515</u>	<u>15,742</u>
<u>(1,031)</u>	<u>12,681</u>	<u>(68,930)</u>	<u>-</u>	<u>(34,292)</u>	<u>1,858</u>
21	57,770	-	-	-	-
<u>21</u>	<u>57,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,010)	70,451	(68,930)	-	(34,292)	1,858
9,502	(4,343)	120,822	4,733	36,468	-
<u>\$ 8,492</u>	<u>\$ 66,108</u>	<u>\$ 51,892</u>	<u>\$ 4,733</u>	<u>\$ 2,176</u>	<u>\$ 1,858</u>

-continued

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Data Communication</u>	<u>SchoolNet Professional Development</u>	<u>Ohio Reads</u>	<u>Summer Intervention</u>
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Extracurricular	-	-	-	-
Classroom materials and fees.	-	-	-	-
Other local revenues	-	-	-	-
Intergovernmental - State	27,000	4,140	33,000	111,687
Intergovernmental - Federal	-	-	-	-
Total revenues	<u>27,000</u>	<u>4,140</u>	<u>33,000</u>	<u>111,687</u>
Expenditures:				
Current:				
Instruction:				
Regular.	-	4,140	27,020	110,887
Special	-	-	-	-
Vocational	-	-	-	-
Support services:				
Pupil	-	-	-	-
Instructional staff.	-	-	7,054	-
Board of education.	-	-	-	-
Administration	-	-	-	-
Fiscal.	-	-	-	-
Operations and maintenance	-	-	-	-
Pupil transportation	-	-	-	-
Central	54,000	-	-	-
Operation of non-instructional services.	-	-	-	-
Food service operations.	-	-	-	-
Extracurricular activities	-	-	-	-
Intergovernmental pass through	-	-	-	-
Total expenditures	<u>54,000</u>	<u>4,140</u>	<u>34,074</u>	<u>110,887</u>
Excess of revenues over (under) expenditures	<u>(27,000)</u>	<u>-</u>	<u>(1,074)</u>	<u>800</u>
Other financing sources:				
Transfers in.	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.	(27,000)	-	(1,074)	800
Fund balances (deficits) at beginning of year (restated)	<u>27,000</u>	<u>4,140</u>	<u>1,557</u>	<u>(570)</u>
Fund balances (deficits) at end of year	<u>\$ -</u>	<u>\$ 4,140</u>	<u>\$ 483</u>	<u>\$ 230</u>

<u>Vocational Education Enhancements</u>	<u>Miscellaneous State Grants</u>	<u>IDEA Part B Grants</u>	<u>Vocational Education</u>	<u>Title III Limited English Proficiency</u>	<u>Title I Disadvantaged Children</u>	<u>Title V Innovative Education Program</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,513	27,426	-	-	-	-	-
-	-	1,056,145	38,426	12,929	239,163	33,648
<u>2,513</u>	<u>27,426</u>	<u>1,056,145</u>	<u>38,426</u>	<u>12,929</u>	<u>239,163</u>	<u>33,648</u>
-	2,285	-	32,469	12,945	266,742	39,825
-	-	536,213	-	-	-	-
3,163	-	-	3,450	-	-	-
-	-	204,790	-	-	-	-
-	-	8,655	-	-	564	300
-	-	-	-	-	-	-
-	-	145,805	-	-	-	-
-	25,811	-	-	-	-	-
-	-	-	-	-	-	-
-	-	146,273	-	-	-	-
-	-	-	-	-	-	-
-	-	49,616	-	-	10,507	4,341
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,163</u>	<u>28,096</u>	<u>1,091,352</u>	<u>35,919</u>	<u>12,945</u>	<u>277,813</u>	<u>44,466</u>
<u>(650)</u>	<u>(670)</u>	<u>(35,207)</u>	<u>2,507</u>	<u>(16)</u>	<u>(38,650)</u>	<u>(10,818)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(650)</u>	<u>(670)</u>	<u>(35,207)</u>	<u>2,507</u>	<u>(16)</u>	<u>(38,650)</u>	<u>(10,818)</u>
650	12,487	67,863	(1,704)	-	40,318	13,531
<u>\$ -</u>	<u>\$ 11,817</u>	<u>\$ 32,656</u>	<u>\$ 803</u>	<u>\$ (16)</u>	<u>\$ 1,668</u>	<u>\$ 2,713</u>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Drug Free School Grant	IDEA Preschool- Handicapped	Improving Teacher Quality	Miscellaneous Federal Grants
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Extracurricular	-	-	-	-
Classroom materials and fees.	-	-	-	-
Other local revenues	-	-	-	-
Intergovernmental - State	-	-	-	-
Intergovernmental - Federal	17,375	21,790	129,165	6,977
Total revenues	17,375	21,790	129,165	6,977
Expenditures:				
Current:				
Instruction:				
Regular	15,953	-	77,668	-
Special	-	17,209	-	-
Vocational	-	-	-	-
Support services:				
Pupil	-	-	-	-
Instructional staff.	-	840	48,315	12,892
Board of education.	-	-	-	-
Administration	-	1,027	-	-
Fiscal.	-	-	-	-
Operations and maintenance	-	-	-	-
Pupil transportation	-	-	-	-
Central	-	-	3,800	-
Operation of non-instructional services.	139	270	-	-
Food service operations.	-	-	-	-
Extracurricular activities	-	-	-	-
Intergovernmental pass through	-	-	-	-
Total expenditures	16,092	19,346	129,783	12,892
Excess of revenues over (under) expenditures	1,283	2,444	(618)	(5,915)
Other financing sources:				
Transfers in.	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances.	1,283	2,444	(618)	(5,915)
Fund balances (deficits)				
at beginning of year (restated)	235	(943)	688	7,041
Fund balances (deficits) at end of year	\$ 1,518	\$ 1,501	\$ 70	\$ 1,126

**Total
Nonmajor
Special Revenue
Funds**

\$ 4,831
982,914
416,833
152,719
114,537
771,518
1,857,907
4,301,259

742,665
553,422
6,613

402,444
101,694
6,082
197,928
25,811
1,928
216,251
57,800
64,873
1,362,198
278,970
596,202
4,614,881

(313,622)

109,324
109,324

(204,298)

543,664
\$ 339,366

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Food Service Fund</u>				
Total Revenues and Other Financing Sources	\$ 1,318,936	\$ 1,242,297	\$ 1,242,297	\$ -
Total Expenditures and Other Financing Uses	<u>1,242,056</u>	<u>1,219,027</u>	<u>1,269,027</u>	<u>(50,000)</u>
Net Change in Fund Balance	76,880	23,270	(26,730)	(50,000)
Fund Balance, July 1	-	-	-	-
Prior Year Encumbrances Appropriated	<u>26,730</u>	<u>26,730</u>	<u>26,730</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 103,610</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>
<u>Special Trust Fund</u>				
Total Revenues and Other Financing Sources	\$ 49,623	\$ 63,332	\$ 63,332	\$ -
Total Expenditures and Other Financing Uses	<u>83,062</u>	<u>61,347</u>	<u>61,347</u>	<u>-</u>
Net Change in Fund Balance	(33,439)	1,985	1,985	-
Fund Balance, July 1	34,779	34,779	34,779	-
Prior Year Encumbrances Appropriated	<u>4,537</u>	<u>4,537</u>	<u>4,537</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 5,877</u>	<u>\$ 41,301</u>	<u>\$ 41,301</u>	<u>\$ -</u>
<u>Uniform School Supplies Fund</u>				
Total Revenues and Other Financing Sources	\$ 100,000	\$ 158,186	\$ 158,186	\$ -
Total Expenditures and Other Financing Uses	<u>123,960</u>	<u>156,366</u>	<u>156,366</u>	<u>-</u>
Net Change in Fund Balance	(23,960)	1,820	1,820	-
Fund Balance, July 1	109,139	109,139	109,139	-
Prior Year Encumbrances Appropriated	<u>4,426</u>	<u>4,426</u>	<u>4,426</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 89,605</u>	<u>\$ 115,385</u>	<u>\$ 115,385</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<u>Public School Support Fund</u>				
Total Revenues and Other Financing Sources	\$ 200,000	\$ 182,199	\$ 182,199	\$ -
Total Expenditures and Other Financing Uses	112,930	251,395	251,395	-
Net Change in Fund Balance	87,070	(69,196)	(69,196)	-
Fund Balance, July 1	119,886	119,886	119,886	-
Prior Year Encumbrances Appropriated	17,773	17,773	17,773	-
Fund Balance, June 30	<u>\$ 224,729</u>	<u>\$ 68,463</u>	<u>\$ 68,463</u>	<u>\$ -</u>
<u>Other Grants Fund</u>				
Total Revenues and Other Financing Sources	\$ 15,000	\$ 7,411	\$ 7,411	\$ -
Total Expenditures and Other Financing Uses	10,068	8,385	8,385	-
Net Change in Fund Balance	4,932	(974)	(974)	-
Fund Balance, July 1	9,480	9,480	9,480	-
Fund Balance, June 30	<u>\$ 14,412</u>	<u>\$ 8,506</u>	<u>\$ 8,506</u>	<u>\$ -</u>
<u>District Managed Activity Fund</u>				
Total Revenues and Other Financing Sources	\$ 320,000	\$ 339,469	\$ 339,469	\$ -
Total Expenditures and Other Financing Uses	206,314	283,063	341,663	(58,600)
Net Change in Fund Balance	113,686	56,406	(2,194)	(58,600)
Fund Balance, July 1	37,843	37,843	37,843	-
Prior Year Encumbrances Appropriated	17,892	17,892	17,892	-
Fund Balance, June 30	<u>\$ 169,421</u>	<u>\$ 112,141</u>	<u>\$ 53,541</u>	<u>\$ (58,600)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Auxiliary Services Fund</u>				
Total Revenues and Other Financing Sources	\$ 450,000	\$ 551,357	\$ 551,357	\$ -
Total Expenditures and Other Financing Uses	189,818	687,342	687,342	-
Net Change in Fund Balance	260,182	(135,985)	(135,985)	-
Fund Balance, July 1	138,977	138,977	138,977	-
Prior Year Encumbrances Appropriated	2,621	2,621	2,621	-
Fund Balance, June 30	<u>\$ 401,780</u>	<u>\$ 5,613</u>	<u>\$ 5,613</u>	<u>\$ -</u>
<u>Teacher Development Fund</u>				
Fund Balance, July 1	<u>\$ 4,733</u>	<u>\$ 4,733</u>	<u>\$ 4,733</u>	<u>\$ -</u>
Fund Balance, June 30	<u>\$ 4,733</u>	<u>\$ 4,733</u>	<u>\$ 4,733</u>	<u>\$ -</u>
<u>Management Information Systems Fund</u>				
Total Revenues and Other Financing Sources	\$ 20,000	\$ 19,223	\$ 19,223	\$ -
Total Expenditures and Other Financing Uses	44,459	51,645	51,645	-
Net Change in Fund Balance	(24,459)	(32,422)	(32,422)	-
Fund Balance, July 1	36,408	36,408	36,408	-
Prior Year Encumbrances Appropriated	700	700	700	-
Fund Balance, June 30	<u>\$ 12,649</u>	<u>\$ 4,686</u>	<u>\$ 4,686</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<u>Entry Year Programs Fund</u>				
Total Revenues and Other Financing Sources	\$ 5,000	\$ 17,600	\$ 17,600	\$ -
Total Expenditures and Other Financing Uses	-	17,433	17,433	-
Net Change in Fund Balance	5,000	167	167	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	<u>\$ 5,000</u>	<u>\$ 167</u>	<u>\$ 167</u>	<u>\$ -</u>
<u>Data Communication Fund</u>				
Total Revenues and Other Financing Sources	\$ 28,000	\$ 27,000	\$ 27,000	\$ -
Total Expenditures and Other Financing Uses	27,000	54,000	54,000	-
Net Change in Fund Balance	1,000	(27,000)	(27,000)	-
Fund Balance, July 1	27,000	27,000	27,000	-
Fund Balance, June 30	<u>\$ 28,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>SchoolNet Professional Development Fund</u>				
Total Revenues and Other Financing Sources	\$ 4,140	\$ 4,140	\$ 4,140	\$ -
Total Expenditures and Other Financing Uses	8,280	4,140	4,140	-
Net Change in Fund Balance	(4,140)	-	-	-
Fund Balance, July 1	4,140	4,140	4,140	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 4,140</u>	<u>\$ 4,140</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<u>Ohio Reads Fund</u>				
Total Revenues and Other Financing Sources	\$ 32,000	\$ 32,966	\$ 32,966	\$ -
Total Expenditures and Other Financing Uses	989	33,981	33,981	-
Net Change in Fund Balance	31,011	(1,015)	(1,015)	-
Fund Balance, July 1	568	568	568	-
Prior Year Encumbrances Appropriated	989	989	989	-
Fund Balance, June 30	<u>\$ 32,568</u>	<u>\$ 542</u>	<u>\$ 542</u>	<u>\$ -</u>
<u>Summer Intervention Fund</u>				
Total Revenues and Other Financing Sources	\$ 120,000	\$ 111,863	\$ 111,863	\$ -
Total Expenditures and Other Financing Uses	118,575	116,385	116,385	-
Net Change in Fund Balance	1,425	(4,522)	(4,522)	-
Fund Balance, July 1	4,443	4,443	4,443	-
Prior Year Encumbrances Appropriated	79	79	79	-
Fund Balance, June 30	<u>\$ 5,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Vocational Education Enhancements Fund</u>				
Total Revenues and Other Financing Sources	\$ -	\$ 2,513	\$ 2,513	\$ -
Total Expenditures and Other Financing Uses	-	3,163	3,163	-
Net Change in Fund Balance	-	(650)	(650)	-
Fund Balance, July 1	650	650	650	-
Fund Balance, June 30	<u>\$ 650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Miscellaneous State Grants Fund</u>				
Total Revenues and Other Financing Sources	\$ 5,000	\$ 25,446	\$ 25,446	\$ -
Total Expenditures and Other Financing Uses	<u>135</u>	<u>28,096</u>	<u>28,096</u>	<u>-</u>
Net Change in Fund Balance	4,865	(2,650)	(2,650)	-
Fund Balance, July 1	<u>12,487</u>	<u>12,487</u>	<u>12,487</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 17,352</u>	<u>\$ 9,837</u>	<u>\$ 9,837</u>	<u>\$ -</u>
<u>IDEA Part B Grants Fund</u>				
Total Revenues and Other Financing Sources	\$ 1,132,663	\$ 1,058,388	\$ 1,058,388	\$ -
Total Expenditures and Other Financing Uses	<u>1,136,113</u>	<u>1,098,311</u>	<u>1,098,186</u>	<u>125</u>
Net Change in Fund Balance	(3,450)	(39,923)	(39,798)	125
Fund Balance, July 1	3,450	3,450	3,450	-
Prior Year Encumbrances Appropriated	<u>36,348</u>	<u>36,348</u>	<u>36,348</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 36,348</u>	<u>\$ (125)</u>	<u>\$ -</u>	<u>\$ 125</u>
<u>Vocational Education Fund</u>				
Total Revenues and Other Financing Sources	\$ 35,971	\$ 38,426	\$ 38,426	\$ -
Total Expenditures and Other Financing Uses	<u>40,120</u>	<u>35,322</u>	<u>35,322</u>	<u>-</u>
Net Change in Fund Balance	(4,149)	3,104	3,104	-
Fund Balance, July 1	<u>4,149</u>	<u>4,149</u>	<u>4,149</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 7,253</u>	<u>\$ 7,253</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Title III Limited English Proficiency Fund</u>				
Total Revenues and Other Financing Sources	\$ 12,000	\$ 12,929	\$ 12,929	\$ -
Total Expenditures and Other Financing Uses	-	12,929	12,929	-
Net Change in Fund Balance	12,000	-	-	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Title I Disadvantaged Children Fund</u>				
Total Revenues and Other Financing Sources	\$ 664,707	\$ 387,146	\$ 387,146	\$ -
Total Expenditures and Other Financing Uses	558,466	362,086	468,326	(106,240)
Net Change in Fund Balance	106,241	25,060	(81,180)	(106,240)
Prior Year Encumbrances Appropriated	81,180	81,180	81,180	-
Fund Balance, June 30	<u>\$ 187,421</u>	<u>\$ 106,240</u>	<u>\$ -</u>	<u>\$ (106,240)</u>
<u>Title V Innovative Education Program Fund</u>				
Total Revenues and Other Financing Sources	\$ 75,274	\$ 64,306	\$ 64,306	\$ -
Total Expenditures and Other Financing Uses	71,241	56,455	65,831	(9,376)
Net Change in Fund Balance	4,033	7,851	(1,525)	(9,376)
Fund Balance, July 1	-	-	-	-
Prior Year Encumbrances Appropriated	1,527	1,527	1,527	-
Fund Balance, June 30	<u>\$ 5,560</u>	<u>\$ 9,378</u>	<u>\$ 2</u>	<u>\$ (9,376)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<u>Drug Free School Fund</u>				
Total Revenues and Other Financing Sources	\$ 25,000	\$ 18,458	\$ 18,458	\$ -
Total Expenditures and Other Financing Uses	18,390	18,727	18,727	-
Net Change in Fund Balance	6,610	(269)	(269)	-
Fund Balance, July 1	48	48	48	-
Prior Year Encumbrances Appropriated	261	261	261	-
Fund Balance, June 30	<u>\$ 6,919</u>	<u>\$ 40</u>	<u>\$ 40</u>	<u>\$ -</u>
<u>IDEA Preschool-Handicapped Fund</u>				
Total Revenues and Other Financing Sources	\$ 21,276	\$ 19,882	\$ 19,882	\$ -
Total Expenditures and Other Financing Uses	21,650	19,765	20,741	(976)
Net Change in Fund Balance	(374)	117	(859)	(976)
Fund Balance, July 1	375	375	375	-
Prior Year Encumbrances Appropriated	505	505	505	-
Fund Balance, June 30	<u>\$ 506</u>	<u>\$ 997</u>	<u>\$ 21</u>	<u>\$ (976)</u>
<u>Improving Teacher Quality Fund</u>				
Total Revenues and Other Financing Sources	\$ 200,000	\$ 118,836	\$ 118,836	\$ -
Total Expenditures and Other Financing Uses	130,121	121,554	121,554	-
Net Change in Fund Balance	69,879	(2,718)	(2,718)	-
Fund Balance, July 1	2,173	2,173	2,173	-
Prior Year Encumbrances Appropriated	545	545	545	-
Fund Balance, June 30	<u>\$ 72,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Miscellaneous Federal Grants Fund</u>				
Total Revenues and Other Financing Sources	\$ 30,000	\$ 14,248	\$ 14,248	\$ -
Total Expenditures and Other Financing Uses	<u>25,343</u>	<u>9,541</u>	<u>20,596</u>	<u>(11,055)</u>
Net Change in Fund Balance	4,657	4,707	(6,348)	(11,055)
Fund Balance, July 1	1,127	1,127	1,127	-
Prior Year Encumbrances Appropriated	<u>6,348</u>	<u>6,348</u>	<u>6,348</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 12,132</u>	<u>\$ 12,182</u>	<u>\$ 1,127</u>	<u>\$ (11,055)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Bond Retirement Fund</u>				
Total Revenues and Other Financing Sources	\$ 3,383,897	\$ 3,283,231	\$ 3,283,231	\$ -
Total Expenditures and Other Financing Uses	<u>3,329,314</u>	<u>3,210,319</u>	<u>3,210,319</u>	<u>-</u>
Net Change in Fund Balance	54,583	72,912	72,912	-
Fund Balance, July 1	<u>473,537</u>	<u>473,537</u>	<u>473,537</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 528,120</u></u>	<u><u>\$ 546,449</u></u>	<u><u>\$ 546,449</u></u>	<u><u>\$ -</u></u>

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

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2005

	Permanent Improvement	Building	SchoolNet	Total Nonmajor Capital Projects Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 57,716	\$ 11,331	\$ 1,047	\$ 70,094
Total assets.	\$ 57,716	\$ 11,331	\$ 1,047	\$ 70,094
Fund balances:				
Unreserved-undesignated	\$ 57,716	\$ 11,331	\$ 1,047	\$ 70,094
Total fund balances	\$ 57,716	\$ 11,331	\$ 1,047	\$ 70,094

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Permanent Improvement	Building	SchoolNet	Total Nonmajor Capital Projects Funds
Revenues:				
From local sources:				
Earnings on investments	\$ 11,653	\$ 9,757	\$ -	\$ 21,410
Other local revenues	39,311	-	-	39,311
Intergovernmental - State	-	-	49,350	49,350
Total revenues	50,964	9,757	49,350	110,071
Expenditures:				
Current:				
Instruction:				
Regular	100,634	-	48,303	148,937
Support services:				
Fiscal	-	8,530	-	8,530
Operations and maintenance	-	10,186	-	10,186
Pupil transportation	125,030	-	-	125,030
Extracurricular activities	4,785	-	-	4,785
Facilities acquisition and construction	-	1,728,531	-	1,728,531
Debt service:				
Principal retirement	-	39,666	-	39,666
Total expenditures	230,449	1,786,913	48,303	2,065,665
Excess of revenues over (under) expenditures	(179,485)	(1,777,156)	1,047	(1,955,594)
Other financing sources:				
Issuance of notes	-	1,730,000	-	1,730,000
Total other financing sources	-	1,730,000	-	1,730,000
Net change in fund balances.	(179,485)	(47,156)	1,047	(225,594)
Fund balances				
at beginning of year (restated)	237,201	58,487	-	295,688
Fund balances at end of year	\$ 57,716	\$ 11,331	\$ 1,047	\$ 70,094

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<u>Permanent Improvement Fund</u>				
Total Revenues and Other Financing Sources	\$ 50,000	\$ 50,491	\$ 50,491	\$ -
Total Expenditures and Other Financing Uses	108,969	235,874	235,874	-
Net Change in Fund Balance	(58,969)	(185,383)	(185,383)	-
Fund Balance, July 1	236,232	236,232	236,232	-
Prior Year Encumbrances Appropriated	6,000	6,000	6,000	-
Fund Balance, June 30	<u>\$ 183,263</u>	<u>\$ 56,849</u>	<u>\$ 56,849</u>	<u>\$ -</u>
<u>Building Fund</u>				
Total Revenues and Other Financing Sources	\$ 1,665,884	\$ 1,739,757	\$ 1,739,757	\$ -
Total Expenditures and Other Financing Uses	1,728,531	1,791,727	1,791,727	-
Net Change in Fund Balance	(62,647)	(51,970)	(51,970)	-
Fund Balance, July 1	62,647	62,647	62,647	-
Prior Year Encumbrances Appropriated	654	654	654	-
Fund Balance, June 30	<u>\$ 654</u>	<u>\$ 11,331</u>	<u>\$ 11,331</u>	<u>\$ -</u>
<u>SchoolNet Equipment/Infrastructure Fund</u>				
Total Revenues and Other Financing Sources	\$ -	\$ 49,350	\$ 49,350	\$ -
Total Expenditures and Other Financing Uses	-	48,303	48,303	-
Net Change in Fund Balance	-	1,047	1,047	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 1,047</u>	<u>\$ 1,047</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Scholarship Fund</u>				
Total Revenues and Other Financing Sources	\$ 30,377	\$ 37,961	\$ 37,961	\$ -
Total Expenditures and Other Financing Uses	<u>37,618</u>	<u>28,784</u>	<u>28,784</u>	<u>-</u>
Net Change in Fund Balance	(7,241)	9,177	9,177	-
Fund Balance, July 1	58,493	58,493	58,493	-
Prior Year Encumbrances Appropriated	<u>2,100</u>	<u>2,100</u>	<u>2,100</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 53,352</u>	<u>\$ 69,770</u>	<u>\$ 69,770</u>	<u>\$ -</u>

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Beginning Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2005</u>
Student Managed Activities				
Assets:				
Equity in pooled cash and cash equivalents. . . .	\$ 123,265	\$ 236,617	\$ 222,997	\$ 136,885
Receivables				
Accounts	<u>1,958</u>	<u>681</u>	<u>1,958</u>	<u>681</u>
Total assets	<u>\$ 125,223</u>	<u>\$ 237,298</u>	<u>\$ 224,955</u>	<u>\$ 137,566</u>
Liabilities:				
Accounts payable	\$ 2,510	\$ 1,612	\$ 2,510	\$ 1,612
Due to general fund	150	-	150	-
Intergovernmental payable	251	-	251	-
Due to students	<u>122,312</u>	<u>235,686</u>	<u>222,044</u>	<u>135,954</u>
Total liabilities.	<u>\$ 125,223</u>	<u>\$ 237,298</u>	<u>\$ 224,955</u>	<u>\$ 137,566</u>

STATISTICAL SECTION

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

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	97-103
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	104-109
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	110-113
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	114-115
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	116-123

Sources: This is the District's first comprehensive annual financial report. Sources are noted on the individual schedules. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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

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

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

Source: School District financial records.

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

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

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

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

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

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

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

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund:				
Reserved	\$ 1,776,600	\$ 997,971	\$ 1,956,797	\$ 1,372,111
Unreserved	<u>(1,146,189)</u>	<u>2,691,362</u>	<u>2,111,428</u>	<u>(2,639,346)</u>
Total general fund	<u>\$ 630,411</u>	<u>\$ 3,689,333</u>	<u>\$ 4,068,225</u>	<u>\$ (1,267,235)</u>
All Other Governmental Funds:				
Reserved	\$ 742,648	\$ 109,833	\$ 217,874	\$ 138,503
Unreserved, reported in:				
Special revenue funds	209,024	460,608	242,451	338,217
Capital projects funds	70,094	505,149	460,722	(26,389)
Debt service funds	<u>-</u>	<u>295,113</u>	<u>594,179</u>	<u>599,421</u>
Total all other governmental funds	<u>\$ 1,021,766</u>	<u>\$ 1,370,703</u>	<u>\$ 1,515,226</u>	<u>\$ 1,049,752</u>

Source: School District financial records.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 1,362,605 (1,334,226)	\$ 2,982,878 1,231,489	\$ 1,899,774 3,913,989	\$ 992,607 3,758,735	\$ 608,058 2,738,599	\$ 562,466 1,181,379
<u>\$ 28,379</u>	<u>\$ 4,214,367</u>	<u>\$ 5,813,763</u>	<u>\$ 4,751,342</u>	<u>\$ 3,346,657</u>	<u>\$ 1,743,845</u>
\$ 390,903	\$ 152,576	\$ 210,687	\$ 1,060,699	\$ 364,247	\$ 272,747
331,954	297,588	298,504	386,181	235,687	157,968
320,421	748,548	410,516	870,854	(2,597,671)	(3,614,950)
612,121	629,124	698,765	899,891	930,945	654,358
<u>\$ 1,655,399</u>	<u>\$ 1,827,836</u>	<u>\$ 1,618,472</u>	<u>\$ 3,217,625</u>	<u>\$ (1,066,792)</u>	<u>\$ (2,529,877)</u>

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

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues					
From local sources:					
Taxes	\$ 29,702,046	\$ 27,048,879	\$ 27,423,545	\$ 23,393,218	\$ 23,943,910
Tuition	508,996	631,116	314,206	212,566	301,621
Charges for services	982,914	1,006,187	959,054	-	-
Earnings on investments	251,929	118,392	139,306	224,224	682,807
Extracurricular	487,552	471,428	383,344	317,148	454,641
Classroom materials and fees	156,784	-	-	-	-
Other local revenues	215,829	377,775	510,143	203,932	338,407
Intergovernmental - State	19,534,663	21,552,374	20,399,767	18,889,960	17,838,087
Intergovernmental - Federal	1,857,907	-	-	-	-
Total revenues	<u>53,698,620</u>	<u>51,206,151</u>	<u>50,129,365</u>	<u>43,241,048</u>	<u>43,559,473</u>
Expenditures					
Current:					
Instruction:					
Regular	24,700,303	22,295,969	20,547,614	22,021,235	23,207,596
Special	4,297,974	3,805,316	3,602,048	3,001,700	2,649,974
Vocational	1,862,192	1,295,383	1,228,066	1,092,600	1,012,059
Adult/Continuing	-	250	989	-	870
Other	737,074	936,811	1,048,792	551,454	-
Current:					
Pupil	3,151,380	2,738,814	2,654,942	2,479,132	2,126,346
Instructional staff	3,000,488	2,632,278	2,285,101	2,464,966	1,792,995
Board of education	289,971	303,015	297,815	187,969	136,392
Administration	3,095,215	2,892,625	2,514,907	2,347,729	2,064,912
Fiscal	1,049,369	1,016,790	881,642	811,215	548,862
Business	435,379	509,438	368,961	419,944	444,877
Operations and maintenance	4,410,011	4,605,046	3,669,549	3,298,239	3,559,343
Pupil transportation	3,706,834	2,872,125	2,316,596	1,797,336	2,193,374
Central	509,889	568,325	498,893	516,893	337,510
Operation of non-instructional services:					
Food service operations	1,362,198	1,383,232	1,146,741	-	-
Other non-instructional services	66,870	500,743	466,145	485,176	373,632
Extracurricular activities	1,096,598	1,136,442	873,341	732,197	853,519
Intergovernmental pass-through	596,202	-	-	-	-
Facilities acquisitions and construction	1,997,407	-	-	-	-
Capital outlay	-	434,633	-	1,313,963	2,351,553
Debt service:					
Principal retirement	3,789,000	2,522,000	3,080,941	1,030,510	1,110,409
Interest and fiscal charges	271,518	339,331	446,099	577,659	654,207
Total expenditures	<u>60,425,872</u>	<u>52,788,566</u>	<u>47,929,182</u>	<u>45,129,917</u>	<u>45,418,430</u>
Excess of revenues over (under) expenditures	(6,727,252)	(1,582,415)	2,200,183	(1,888,869)	(1,858,957)
Other Financing Sources (Uses)					
Transfers in	109,324	202,300	46,410	136,235	43,256
Transfers (out)	(109,324)	(202,300)	(46,410)	(142,497)	(46,042)
Refund of prior year expenditure	-	-	-	(6,130)	-
Sale of assets	-	-	-	-	-
Capital lease transaction	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Issuance of notes	3,750,000	1,059,000	1,542,000	-	-
Total other financing sources (uses)	<u>3,750,000</u>	<u>1,059,000</u>	<u>1,542,000</u>	<u>(12,392)</u>	<u>(2,786)</u>
Net change in fund balances	<u>\$ (2,977,252)</u>	<u>\$ (523,415)</u>	<u>\$ 3,742,183</u>	<u>\$ (1,901,261)</u>	<u>\$ (1,861,743)</u>
Debt service as a percentage of noncapital expenditures	6.72%	5.47%	7.36%	3.67%	4.10%

	2000	1999	1998	1997	1996
\$	22,594,354	\$ 21,955,295	\$ 22,202,373	\$ 21,427,499	\$ 19,185,953
	262,135	171,809	216,510	49,856	150,578
	-	135	1,155	-	-
	756,840	733,836	666,975	565,731	472,566
	503,744	469,183	432,288	413,494	385,425
	-	-	-	-	-
	296,766	222,153	389,757	154,641	189,260
	15,867,742	15,120,804	14,944,110	14,628,535	13,361,570
	-	-	-	-	-
	<u>40,281,581</u>	<u>38,673,215</u>	<u>38,853,168</u>	<u>37,239,756</u>	<u>33,745,352</u>
	22,507,794	19,717,623	18,907,118	18,156,988	17,006,665
	2,305,927	2,396,926	2,099,616	1,938,674	1,843,029
	958,123	909,785	1,029,753	994,802	909,584
	6,551	555	-	-	-
	-	-	-	-	-
	1,909,775	1,820,395	1,584,811	1,497,540	1,420,590
	1,542,288	1,331,589	1,142,293	1,115,991	953,430
	135,278	79,528	65,479	77,696	47,536
	1,925,364	1,797,530	1,676,952	1,655,947	1,386,350
	341,936	404,211	680,595	645,095	552,908
	430,697	383,175	288,390	279,327	244,509
	2,738,035	3,118,426	2,740,444	2,536,483	2,377,782
	2,059,104	1,547,427	1,448,586	1,490,051	1,183,917
	347,186	293,929	340,572	553,481	640,637
	-	-	-	-	-
	322,350	369,756	261,567	303,234	234,847
	677,521	678,149	640,554	551,504	576,492
	-	-	-	-	3,037
	-	-	-	-	-
	1,523,813	1,942,508	1,574,090	1,154,027	3,367,652
	3,721,585	4,107,199	4,586,446	1,115,989	705,642
	740,027	854,454	929,797	952,683	948,523
	<u>44,193,354</u>	<u>41,753,165</u>	<u>39,997,063</u>	<u>35,019,512</u>	<u>34,403,130</u>
	(3,911,773)	(3,079,950)	(1,143,895)	2,220,244	(657,778)
	9,391	620,196	2,298,537	1,179,235	813,753
	(12,291)	(620,422)	(2,299,461)	(1,179,389)	(816,387)
	-	-	-	-	-
	-	1,475	-	900	4,276
	-	-	453,581	451,588	439,104
	-	-	-	4,482,000	-
	<u>2,512,000</u>	<u>2,544,000</u>	<u>2,946,000</u>	<u>-</u>	<u>-</u>
	<u>2,509,100</u>	<u>2,545,249</u>	<u>3,398,657</u>	<u>4,934,334</u>	<u>440,746</u>
\$	<u>(1,402,673)</u>	<u>(534,701)</u>	<u>2,254,762</u>	<u>7,154,578</u>	<u>(217,032)</u>

10.46%

12.46%

14.36%

6.11%

5.33%

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

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

Collection Year	Real Property (a)		Tangible Personal Property (b)		Public Utility (c)	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2005	\$ 838,347,610	\$ 2,395,278,886	\$ 52,633,230	\$ 210,532,920	\$ 13,080,400	\$ 37,372,571
2004	816,206,050	2,332,017,286	56,950,308	227,801,232	12,819,450	36,627,000
2003	799,925,210	2,285,500,600	60,365,970	241,463,880	13,556,590	38,733,114
2002	708,833,710	2,025,239,171	60,132,970	240,531,880	12,646,960	36,134,171
2001	684,911,940	1,956,891,257	59,824,252	239,297,008	15,231,380	43,518,229
2000	662,844,300	1,893,840,857	58,904,694	235,618,776	17,087,380	48,821,086
1999	613,470,610	1,752,773,171	55,039,846	220,159,384	16,756,680	47,876,229
1998	599,868,160	1,713,909,029	48,802,932	195,211,728	16,775,920	47,931,200
1997	582,692,470	1,664,835,629	45,224,954	180,899,816	17,038,280	48,680,800
1996	474,490,780	1,355,687,943	39,596,269	158,385,076	17,575,970	50,217,057

Source: Summit County Auditor's Office

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

Total

Assessed Value	Estimated Actual Value	%
\$ 904,061,240	\$ 2,643,184,377	34.20%
885,975,808	2,596,445,518	34.12%
873,847,770	2,565,697,594	34.06%
781,613,640	2,301,905,223	33.96%
759,967,572	2,239,706,494	33.93%
738,836,374	2,178,280,719	33.92%
685,267,136	2,020,808,784	33.91%
665,447,012	1,957,051,957	34.00%
644,955,704	1,894,416,245	34.05%
531,663,019	1,564,290,076	33.99%

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

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

Tax Year/ Collection Year	Overlapping Rates		Direct Rates			
	County	City	Voted		Unvoted	Total
			General	Bond		
2004/2005	\$ 13.07	\$ 9.50	41.08	1.40	5.40	47.88
2003/2004	13.07	9.50	41.13	1.40	5.40	47.93
2002/2003	13.07	9.50	41.57	1.35	5.40	48.32
2001/2002	13.07	9.50	38.76	1.58	5.40	45.74
2000/2001	13.07	9.50	39.14	1.90	5.40	46.44
1999/2000	12.27	7.20	39.24	1.80	5.40	46.44
1998/1999	12.27	7.20	40.14	2.10	5.40	47.64
1997/1998	11.65	7.20	40.54	1.80	5.40	47.74
1996/1997	11.39	7.20	41.34	2.60	5.40	49.34
1995/1996	13.99	7.20	43.74	3.27	5.40	52.41

Source: Summit County Auditor's Office

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

PRINCIPAL PROPERTY TAX PAYERS
DECEMBER 31, 2004 AND DECEMBER 31, 2000

December 31, 2004			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Heron Springs Associates LLC	\$ 8,776,140	1	0.97%
DDR Ohio Opportunity II LLC	7,671,140	2	0.85%
Wyndham Ridge LTD	7,031,850	3	0.78%
Ohio Edison	5,556,210	4	0.61%
Stow-Glen Properties LLC	4,388,800	5	0.49%
Morgan Adhesive Co.	4,109,550	6	0.45%
Steels Corners Apartment Co. LTD	4,078,020	7	0.45%
Marcliff Hidden Lake Apartments Limited	3,863,760	8	0.43%
Stow Associates	3,569,890	9	0.39%
Risman William B. Trustee	2,933,420	10	0.32%
Total	<u>\$ 51,978,780</u>		<u>\$ 904,061,240</u>

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

Source: Summit County Auditor's Office

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

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

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

Tax Year/ Collection Year	Current Levy	Delinquent Levy	Total Levy	Current Collection	Percent of Current Levy Collected
2004/2005	\$ 29,823,368	\$ 725,697	\$ 30,549,065	\$ 29,097,672	97.57%
2003/2004	31,794,416	873,524	32,667,940	30,920,892	97.25%
2002/2003	31,861,265	1,055,847	32,917,112	30,850,154	96.83%
2001/2002	26,615,496	693,246	27,308,742	25,922,250	97.40%
2000/2001	26,510,502	746,175	27,256,677	25,764,327	97.19%
1999/2000	25,611,727	693,930	26,305,657	24,917,797	97.29%
1998/1999	24,831,052	500,726	25,331,778	24,330,326	97.98%
1997/1998	24,296,524	528,053	24,824,577	23,768,471	97.83%
1996/1997	24,566,526	548,856	25,115,382	24,017,670	97.77%
1995/1996	21,966,469	581,304	22,547,773	21,425,165	97.54%

Source: Summit County Auditor's Office

Delinquent Collection	Total Collection	Total Collection As a Percent of Total Levy
\$ 858,085	\$ 29,955,757	98.06%
802,139	31,723,031	97.11%
753,795	31,603,949	96.01%
760,037	26,682,287	97.71%
699,923	26,464,250	97.09%
485,166	25,402,963	96.57%
617,574	24,947,900	98.48%
686,657	24,455,128	98.51%
782,838	24,800,508	98.75%
786,729	22,211,894	98.51%

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

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			(a) Total Primary Government	(b) Per Capita	(b) Per ADM
	General Obligation Bonds	Bond Anticipation Notes	Capital Leases			
2005	\$ 2,910,000	\$ 2,020,000	\$ -	\$ 4,930,000	\$ 143	\$ 830
2004	3,910,000	1,059,000	-	4,969,000	144	833
2003	4,890,000	1,542,000	-	6,432,000	188	1,103
2002	5,850,000	2,025,000	95,941	7,970,941	236	1,377
2001	6,790,000	2,073,000	96,623	8,959,623	267	1,551
2000	7,715,000	2,179,000	282,032	10,176,032	317	1,753
1999	8,620,000	2,544,000	554,617	11,718,617	364	1,997
1998	9,510,000	2,946,000	825,816	13,281,816	418	2,257
1997	10,382,000	3,348,000	660,211	14,390,211	467	2,428
1996	6,490,000	8,232,000	404,525	15,126,525	492	2,555

Sources:

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

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

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

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

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Total		
2005	\$ 2,910,000	\$ 2,910,000	0.11%	\$ 85
2004	3,910,000	3,910,000	0.15%	114
2003	4,890,000	4,890,000	0.19%	143
2002	5,850,000	5,850,000	0.25%	173
2001	6,790,000	6,790,000	0.30%	202
2000	7,715,000	7,715,000	0.35%	240
1999	8,620,000	8,620,000	0.43%	268
1998	9,510,000	9,510,000	0.49%	299
1997	10,382,000	10,382,000	0.55%	337
1996	6,490,000	6,490,000	0.41%	211

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

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2005

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Stow-Munroe City School District (1)	\$ 4,930,000	100.00%	\$ 4,930,000
Overlapping debt:			
Summit County	82,679,464	7.42%	6,134,816
Portage County	13,297,957	0.10%	13,298
Akron Metro Regional Transit Authority	1,680,000	7.42%	124,656
City of Cuyahoga Falls	13,290,900	0.06%	7,975
City of Hudson	38,585,033	0.44%	169,774
City of Tallmadge	9,128,310	0.36%	32,862
City of Stow	18,045,000	100.00%	18,045,000
City of Munroe Falls	<u>2,355,000</u>	98.68%	<u>2,323,914</u>
Total direct and overlapping debt	<u>\$ 183,991,664</u>		<u>\$ 31,782,295</u>

Source: Ohio Municipal Advisory Council

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

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

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

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Fiscal Year	Voted Debt Limit	Total Debt Applicable to Limit	Debt Service Available Balance	Net Debt Applicable to Limit	Voted Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2005	\$ 81,365,512	\$ 2,910,000	\$ 612,306	\$ 2,297,694	\$ 79,067,818	2.82%
2004	79,737,823	3,910,000	505,149	3,404,851	76,332,972	4.27%
2003	78,646,299	4,890,000	594,179	4,295,821	74,350,478	5.46%
2002	70,345,228	5,850,000	626,013	5,223,987	65,121,241	7.43%
2001	68,397,081	6,790,000	636,539	6,153,461	62,243,620	9.00%
2000	66,495,274	7,715,000	647,378	7,067,622	59,427,652	10.63%
1999	61,674,042	8,620,000	721,551	7,898,449	53,775,593	12.81%
1998	59,890,231	9,510,000	928,381	8,581,619	51,308,612	14.33%
1997	58,046,013	10,382,000	970,747	9,411,253	48,634,760	16.21%
1996	47,849,672	6,490,000	681,498	5,808,502	42,041,170	12.14%

Source: Summit County Auditor and District financial records

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

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

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rates</u>		
					<u>Summit County</u>	<u>Ohio</u>	<u>United States</u>
2005	34,394	\$ 25,509	36.9	5,937	5.4%	5.9%	5.0%
2004	34,394	25,509	36.9	5,966	6.1%	5.7%	5.1%
2003	34,222	25,509	36.9	5,830	6.2%	5.5%	5.7%
2002	33,771	25,509	36.9	5,787	6.0%	5.3%	6.0%
2001	33,554	25,509	36.9	5,779	4.6%	4.8%	5.8%
2000	32,139	25,509	36.9	5,804	4.2%	3.9%	4.0%
1999	32,162	16,310	33.4	5,867	4.3%	4.0%	4.1%
1998	31,762	16,310	33.4	5,885	4.1%	4.3%	4.5%
1997	30,833	16,310	33.4	5,928	4.5%	4.6%	4.9%
1996	30,766	16,310	33	5,920	4.8%	4.9%	5.4%

(1 & 2) U. S. Census Bureau
(3) District records

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

PRINCIPAL EMPLOYERS
CURRENT YEAR AND THREE YEARS AGO

Employer	December 31, 2004		
	Employees	Rank	Percentage of Total City Employment
Stow City Schools	721	1	4.13%
MacTac-Morgan Adhesives	425	2	2.44%
City of Stow	225	3	1.29%
Matco Tools Corp	200	4	1.15%
Wrayco Industries Inc.	179	5	1.03%
National Machines Co.	151	6	0.87%
Audio Technica US Inc.	110	7	0.63%
The Chandler Group	98	8	0.56%
Ferry Industries Inc	68	9	0.39%
Bedell-Kruas	65	10	0.37%
Total	2,242		12.85%

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

Source: City of Stow

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

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

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

<u>Type</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Professional Staff:										
Teaching Staff:										
Elementary	109	111	118	116	116	111	107	103	104	118
Intermediate	47	54	54	44	46	44	44	44	39	18
Middle	56	61	61	54	54	55	52	52	52	50
High	108	111	118	108	108	106	100	97	102	93
Tutors	16	16	19	24	31	27	17	18	19	18
Others	55	52	52	51	23	26	29	25	20	27
Administration:										
District	29	32	38	33	32	32	31	31	29	28
Auxiliary Positions:										
Counselors	9	10	11	10	11	12	11	11	10	10
Speech	6	6	7	6	6	6	6	4	4	4
Mental Health Specialists	6	6	7	4	5	3	3	3	2	2
Support Staff:										
Secretarial	39	38	39	43	47	38	34	36	31	32
Aides	58	63	60	63	74	60	56	42	36	36
Hall monitor/Security	19	18	17	18	21	17	21	23	17	13
Cooks	18	19	20	20	24	21	21	23	19	20
Custodial	38	34	33	28	37	33	34	34	33	32
Maintenance	11	10	11	9	9	10	9	9	9	6
Bus Driver	37	36	36	41	50	33	34	36	28	26
Mechanics	4	5	4	4	4	4	4	4	3	3
Extracurricular	187	194	205	176	193	188	181	188	173	168
Total	<u>852</u>	<u>876</u>	<u>910</u>	<u>852</u>	<u>891</u>	<u>826</u>	<u>794</u>	<u>783</u>	<u>730</u>	<u>704</u>

<u>Function</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Instruction:										
Regular	261	271	269	267	268	272	259	249	248	241
Special	36	39	40	33	34	28	29	28	28	26
Vocational	19	17	19	20	21	18	18	19	19	17
Other	59	63	83	68	79	77	67	59	57	55
Support Services:										
Pupil	33	31	30	37	42	34	32	33	28	28
Instructional staff	114	118	114	111	92	71	70	63	51	47
Administration	29	32	38	33	52	32	31	31	29	28
Fiscal	6	6	6	6	6	5	5	5	5	5
Business	-	-	-	-	-	1	1	1	-	-
Operations and maintenance	71	70	72	60	74	67	67	71	64	63
Pupil transportation	37	35	33	41	50	33	34	36	28	26
Central	-	-	1	-	-	-	-	-	-	-
Extracurricular activities	187	194	205	176	193	188	181	188	173	168
Total Governmental Activities	<u>852</u>	<u>876</u>	<u>910</u>	<u>852</u>	<u>911</u>	<u>826</u>	<u>794</u>	<u>783</u>	<u>730</u>	<u>704</u>

Source: School District records

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

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

Function	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Instruction:										
Regular and Special										
Enrollment (students)	5,937	5,966	5,830	5,787	5,779	5,804	5,867	5,885	5,928	5,920
Graduates	480	447	431	420	446	500	416	446	498	390
Support services:										
Board of education										
Regular meetings per year	20	20	19	20	20	19	18	26	20	19
Special meetings per year	56	43	17	20	14	14	11	14	7	7
Administration										
Student attendance rate	95.0	95.4	94.8	94.8	94.5	94.4	93.8	94.5	94.5	94.6
Fiscal										
Nonpayroll checks issued	6,328	5,899	6,163	5,938	6,252	6,197	5,616	5,599	5,842	N/A
Operations and maintenance										
Work orders completed	3,000	2,800	2,600	2,500	2,300	2,200	2,100	1,800	1,600	1,500
Square footage maintained	760,409	760,409	760,409	760,409	760,409	760,409	760,409	760,409	760,409	760,409
Pupil transportation										
Avg. students transported daily	4,573	4,367	2,372	4,585	4,543	4,814	5,023	6,658	6,276	4,182
Food service operations										
Meals served to students	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: District records

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

CAPITAL ASSET STATISTICS
LAST THREE FISCAL YEARS

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

Source: School District financial records.

Note: Amounts above are presented net of accumulated depreciation.

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

**SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

	2005	2004	2003	2002	2001	2000
Echo Hills Elementary (1963)						
Square feet	38,285	38,285	38,285	38,285	38,285	38,285
Capacity (students)	550	550	550	550	550	550
Enrollment	377	382	378	367	359	379
Fishcreek Elementary (1960)						
Square feet	32,153	32,153	32,153	32,153	32,153	32,153
Capacity (students)	500	500	500	500	500	500
Enrollment	310	296	321	305	321	309
Highland Elementary (1938)						
Square feet	33,324	33,324	33,324	33,324	33,324	33,324
Capacity (students)	500	500	500	500	500	500
Enrollment	323	335	330	314	305	330
Indian Trail Elementary (1969)						
Square feet	41,600	41,600	41,600	41,600	41,600	41,600
Capacity (students)	500	500	500	500	500	500
Enrollment	323	299	309	347	357	363
Riverview Elementary (1954)						
Square feet	23,277	23,277	23,277	23,277	23,277	23,277
Capacity (students)	575	575	575	575	575	575
Enrollment	301	319	305	331	321	320
Woodland Elementary (1954)						
Square feet	23,277	23,277	23,277	23,277	23,277	23,277
Capacity (students)	525	525	525	525	525	525
Enrollment	320	306	297	305	304	282
Lakeview Intermediate (1959)						
Square feet	178,882	178,882	178,882	178,882	178,882	178,882
Capacity (students)	1,050	1,050	1,050	1,050	1,050	1,050
Enrollment	917	941	932	932	933	943
Kimpton Middle School (1970)						
Square feet	117,500	117,500	117,500	117,500	117,500	117,500
Capacity (students)	1,125	1,125	1,125	1,125	1,125	1,125
Enrollment	973	955	940	954	978	973
High School (1987)						
Square feet	254,514	254,514	254,514	254,514	254,514	254,514
Capacity (students)	2,050	2,050	2,050	2,050	2,050	2,050
Enrollment	1,985	1,987	1,916	1,892	1,873	1,906
Central office (1996)						
Square feet	11,000	11,000	11,000	11,000	11,000	11,000
Transportation and warehouse (1987)						
Square feet	6,597	6,597	6,597	6,597	6,597	6,597

Source: District records

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

1999	1998	1997	1996
38,285	38,285	38,285	38,285
550	550	550	550
401	395	412	-
32,153	32,153	32,153	32,153
500	500	500	500
361	360	375	
33,324	33,324	33,324	33,324
500	500	500	500
378	381	389	
41,600	41,600	41,600	41,600
500	500	500	500
407	415	411	
23,277	23,277	23,277	23,277
575	575	575	575
342	368	385	
23,277	23,277	23,277	23,277
525	525	525	525
320	344	355	
178,882	178,882	178,882	178,882
1,050	1,050	1,050	1,050
960	956	923	
117,500	117,500	117,500	117,500
1,125	1,125	1,125	1,125
940	897	915	-
254,514	254,514	254,514	254,514
2,050	2,050	2,050	2,050
1,954	1,962	1,985	-
11,000	11,000	11,000	11,000
6,597	6,597	6,597	6,597

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

OPERATING STATISTICS
LAST TEN FISCAL YEARS

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

Source: District records

(1) Debt Service totals have been excluded.

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

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

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STOW-MUNROE FALLS CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**