

**HUDSON CITY
SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

SCOTT SNYDER, TREASURER



**Auditor of State
Betty Montgomery**

Board of Trustees
Hudson City School District
2386 Hudson Aurora
Hudson, Ohio 44236 – 2322

We have reviewed the *Independent Auditor's Report* of Hudson City School District, Summit County, prepared by Julian & 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 Hudson 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

February 8, 2006

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**HUDSON CITY SCHOOL DISTRICT
SUMMIT, OHIO**

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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
Hudson City School District
2386 Hudson-Aurora Road
Hudson, OH 44236

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hudson City School District (the "District") as of and for the fiscal year ended June 30, 2005, and have issued our report thereon dated December 1, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Hudson City School 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 OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Julian & Grube, Inc.
December 1, 2005

**HUDSON 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	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (C) Food Donation	10.550	N/A	\$ -	\$ 76,714	\$ -	\$ 76,714
(A) (D) National School Lunch Program	10.555	050021-LLP4-2004	30,604	-	30,604	-
(A) (D) National School Lunch Program	10.555	050021-LLP4-2005	42,703	-	42,703	-
Total U.S. Department of Agriculture and Nutrition Cluster			<u>73,307</u>	<u>76,714</u>	<u>73,307</u>	<u>76,714</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
(F) Title I - Grants to Local Educational Agencies	84.010	0500213-C1-S1-2004	(5,431)		36,584	
Title I - Grants to Local Educational Agencies	84.010	0500213-C1-S1-2005	144,413		98,326	
Total Title I - Grants to Local Educational Agencies			<u>138,982</u>		<u>134,910</u>	
Special Education Cluster:						
(B) Special Education - Grants to States	84.027	050021-6B-PM-2005	25,000		21,632	
(B) Special Education - Grants to States	84.027	050021-6B-SA-2004-P	4,126		16,169	
(B) (G) Special Education - Grants to States	84.027	050021-6B-SF-2002-P	(4,723)		3,620	
(B) Special Education - Grants to States	84.027	050021-6B-SF-2004	27,358		100,923	
(B) Special Education - Grants to States	84.027	050021-6B-SF-2005	1,011,982		915,381	
Total Special Education - Grants to States			<u>1,063,743</u>		<u>1,057,725</u>	
(B) Special Education - Preschool Grants	84.173	050021-PG-S1-2005	31,080		28,892	
Total Special Education Cluster			<u>1,094,823</u>		<u>1,086,617</u>	
Vocational Education Basic Grants	84.048	050021-20-C1-2004	59,296		20,561	
Vocational Education Basic Grants	84.048	050021-20-C1-2005	288,912		271,727	
Total Vocational Education Basic Grants			<u>348,208</u>		<u>292,288</u>	
(H) Safe and Drug-Free Schools and Communities - State Grants	84.186	050021-DR-S1-2004	(557)		600	
Safe and Drug-Free Schools and Communities - State Grants	84.186	050021-DR-S1-2005	12,455		16,394	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>11,898</u>		<u>16,994</u>	
State Grants for Innovative Programs	84.298	050021-C2-S1-2004	44,474		-	
State Grants for Innovative Programs	84.298	050021-C2-S1-2005	35,394		28,647	
Total State Grants for Innovative Programs			<u>79,868</u>		<u>28,647</u>	
(I) Education Technology State Grants	84.318	050021-TJ-S1-2004	(378)		-	
Education Technology State Grants	84.318	050021-TJ-S1-2005	727		3,570	
Total Education Technology State Grants			<u>349</u>		<u>3,570</u>	
(J) English Language Acquisition Grants	84.365	050021-T3-S2-2004	5,234		-	
English Language Acquisition Grants	84.365	050021-T3-S2-2005	16		16	
Total English Language Acquisition Grants			<u>5,250</u>		<u>16</u>	
Improving Teacher Quality - State Grants	84.367	050021-TR-S1-2004	46,400		59,533	
Improving Teacher Quality - State Grants	84.367	050021-TR-S1-2005	61,188		7,715	
Total Improving Teacher Quality - State Grants			<u>107,588</u>		<u>67,248</u>	
Total U.S. Department of Education			<u>1,786,966</u>		<u>1,630,290</u>	
CORPORATION FOR NATIONAL AND COMMUNITY SCHOOLS PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Learn and Serve America School and Community Base	94.004	050021-SV-S1-2005	15,000		15,000	
Total Learn and Serve America School Community Base			<u>15,000</u>		<u>15,000</u>	
Total Corporation for National and Community Schools			<u>15,000</u>		<u>15,000</u>	
U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO EMERGENCY MANAGEMENT AGENCY						
Passed Through the Ohio Emergency management Agency: Public Assistance Grants	97.036	FEMA-1484-DR-153-0747F	91,207		91,207	
Total U.S. Department of Homeland Security			<u>91,207</u>		<u>91,207</u>	
Total Federal Financial Assistance			<u>\$ 1,966,480</u>	<u>\$ 76,714</u>	<u>\$ 1,809,804</u>	<u>\$ 76,714</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (B) Included as part of "Special Education Grant Cluster" in determining major programs.
 (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
 (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
 (E) This schedule was prepared on the cash basis of accounting.
 (F) Amount of \$5,431 transferred to the next grant year based on Ohio Department of Education administrative action.
 (G) Amount of \$4,723 transferred to the next grant year based on Ohio Department of Education administrative action.
 (H) Amount of \$557 transferred to the next grant year based on Ohio Department of Education administrative action.
 (I) Amount of \$378 transferred to the next grant year based on Ohio Department of Education administrative action.
 (J) Amount of \$16 transferred to the next grant year based on Ohio Department of Education administrative action.



Julian & Grube, Inc.

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*

Board of Education
Hudson City School District
2386 Hudson-Aurora Road
Hudson, OH 44236

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hudson City School District as of and for the fiscal year ended June 30, 2005, which collectively comprise the Hudson City School District's basic financial statements and have issued our report thereon dated December 1, 2005. As disclosed in Note 3 to the financial statements, the District implemented GASB Technical Bulletin 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 Hudson City School 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 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.

Board of Education
Hudson City School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hudson City School 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, Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
December 1, 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
Hudson City School District
2386 Hudson-Aurora Road
Hudson, OH 44236

Compliance

We have audited the compliance of Hudson City School 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 its major federal program for the fiscal year ended June 30, 2005. As disclosed in Note 3 to the financial statements, the District implemented GASB Technical Bulletin 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. Hudson City School 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 Hudson City School District's management. Our responsibility is to express an opinion on Hudson City School 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 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 Hudson City School 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 Hudson City School District's compliance with those requirements.

Board of Education
Hudson City School District

In our opinion, Hudson 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 Hudson City School 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 Hudson City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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



Julian & Grube, Inc.
December 1, 2005

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

**HUDSON 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

HUDSON CITY
SCHOOL DISTRICT

FOR THE

FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY
TREASURER'S OFFICE
SCOTT SNYDER, CPA, TREASURER

2386 HUDSON-AURORA ROAD HUDSON, OHIO 44236

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**HUDSON CITY SCHOOL DISTRICT
TREASURER'S OFFICE**
2386 Hudson-Aurora Road
Hudson, OH 44236-2322

BOARD OF EDUCATION:

Andrew Duff, President
James Hackney, Vice-President
James Antes
Stephen Funk
Bruce Hubach

(Local) 330-653-1270

FAX: 330-656-2292

ADMINISTRATORS:

Maryann Wolowiec, Superintendent
Scott C. Snyder, CPA, Treasurer

December 30, 2005

Citizens and Board of Education, Hudson City School District:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Hudson City School District (the "District") for the fiscal year ended June 30, 2005. This CAFR, which includes an opinion from the Auditor of the State of Ohio, conforms to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. Responsibility for both the accuracy of the data presented 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 District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The report provides the taxpayers of the District, bond rating agencies, and other interested parties with comprehensive financial information, enabling them to gain a clear understanding of the District's finances. This report is intended to meet the accountability requirements of the District to the public.

This CAFR is comprised of three distinct sections:

- ◆ *Introductory Section* includes the table of contents, letter of transmittal, organizational chart, Government Finance Officers Association (GFOA) Certificate of Achievement, and Association of School Business Officials (ASBO) Certificate of Excellence.
- ◆ *Financial Section* includes the independent accountants' report, a management's discussion and analysis, basic financial statements and explanatory notes, and combining statements and individual fund schedules.
- ◆ *Statistical Section* includes various tables reflecting social and economic information, financial trends, and the fiscal capacity of the District.

Copies of this report will be widely distributed throughout the District. A copy will be sent to all school buildings, the Chamber of Commerce, major taxpayers, Hudson Public Library, Moody's and Standard and Poor's Financial Rating Services, banks, the District's Business Advisory Council and any other interested parties.

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



The Reporting Entity

The District has reviewed its reporting entity definition in order to insure conformance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB 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.

The District has administrative responsibility for state funds distributed to private schools located within District boundaries. The private schools served are: Hudson Montessori School, Cuyahoga Valley Christian Academy, Seton Catholic School, Western Reserve Academy, Walsh Jesuit High School and Academy for Young Children (TLC). While these organizations share operational and service similarity with the District, all are separate and distinct entities. Because of their independent nature, none of these organizations' financial statements are included in this report. Their Boards are not appointed by the District, nor are they fiscally dependent on the District.

The District And Its Facilities

The District serves an area of approximately 34 square miles in and around the City of Hudson (the "City"). It is located in Summit County, approximately 28 miles southeast of downtown Cleveland and 14 miles north of Akron. The District is a rapidly growing affluent suburban district. Nearly 100 percent of the City of Hudson and portions of three other municipalities and a township are located within the District. They are: the City of Cuyahoga Falls, the City of Stow, the Village of Boston Heights and Boston Township. Hudson's population in 1980 was 12,645 residents. By 1990, according to the U.S. Census Bureau, Hudson's population had grown to 17,125 (11,966 Township and 5,159 Village). The 2000 Census shows the population of the City of Hudson is 22,439.

Because of the rapid growth of Hudson and the surrounding area, the District's enrollment has been increasing since 1980. The District had recorded more than 19 consecutive years of increasing enrollment until fiscal year 2000 when enrollment slowed. The District's enrollment for fiscal year-end June 30, 2005, was 5,273 students.

The District's facilities include four elementary schools, one middle school (grades six to eight), one high school (grades nine to twelve), a field house, a maintenance building, a bus garage, central offices residing in four houses and several athletic fields.

Economic Condition And Outlook

Ohio's seasonally adjusted unemployment rate was 6.1 percent in June 2005, and the nation's unemployment rate for June 2005 was 5.0 percent. Additionally, June 2005 employment in the Akron Primary Metropolitan Statistical Area was 328,100. Specific employment figures for the Hudson City School District are not available. (Labor Force Estimates, June 2005, Ohio Bureau of Employment Services).

Hudson is the headquarters for companies such as JoAnn Stores, Inc. (retail); Alltel Service Company (telecommunications); and The Flood Company (coatings and sealants). The City is also home to the division headquarters of Little Tikes (Newell Corp.); Caliber Logistics, Inc. (Federal Express); and Allstate Insurance.

According to the latest available income data, the 2003 median Ohio adjusted gross income per tax return for Hudson City School District residents was \$60,800. That ranks our District 3rd in the State of Ohio. The 2003 average Federal adjusted gross income per tax return for Hudson City School District residents was \$109,332. Our District ranks 8th in the State in average Federal income per tax return.

On a budgetary-basis, the District receives approximately 66 percent of its total operating revenues from local property tax collections. Therefore, the long-term financial health of the District is very dependent on its tax base. Total assessed valuation of the District rose by 45 percent in the last ten years. The increased value in the tax duplicate is attributed to new construction (45 percent) and the balance (55 percent) to revisions in property values made by the County Fiscal Officer over the most recent ten-year period.



INTRODUCTION

The District has an excellent relationship with the City of Hudson, which assures that commercial development projects selected by the City are also highly desirable for the District. When the City of Hudson uses an inducement to attract a business, which is not a common practice, it is in participation with the District in a cooperative agreement. The District and the City of Hudson have created an Economic Development Incentive Committee to consider and recommend tax incentives for businesses seeking to establish or expand jobs and related economic opportunities. The District will continue to work with the City of Hudson to attract desirable development to the community.

Organization Of The District

The District is governed by the Constitution of the State of Ohio and various statutes enacted by the Ohio General Assembly through the State Department of Education. Under Ohio law, the District is a separate and distinct unit of government. The Hudson City School District Board of Education is a five-member board elected at-large, with staggered four-year terms.

The Board serves as the taxing authority, contracting body, policy maker, approves the annual appropriation resolution and tax budget and ensures that all other general laws of the State of Ohio are followed in the expenditure of the District's tax dollars.

Principal Officials

BOARD MEMBERS

<u>Name</u>	<u>Began</u>	<u>Expires</u>	<u>Profession</u>
Andrew Duff President	01-01-02	12-31-05	Attorney Amer Cunningham Col, L.P.A.
James Hackney Vice President	01-01-02	12-31-05	Senior Vice President of Operations (Retired) America's Body Company
James Antes	01-01-02	12-31-05	Computer Application & Business Analyst Goodyear Tire & Rubber Company
Stephen Funk	01-01-04	12-31-07	Attorney Roetzel & Andress L.P.A.
Bruce Hubach	01-01-04	12-31-07	Manufacturers Representative N.T. Ruddock Company

ADMINISTRATION

<u>Name</u>	<u>Position</u>
Maryann Wolowiec	Superintendent
Becky McElfresh	Director of Human Resources
Greg Vogelsong	Director of Pupil Personnel Services
Patricia Picard	Director of Curriculum and Instruction
Mark Leventhal	Director of Pupil Services
Paul Smith	Business Manager
Scott C. Snyder	Treasurer



Employee Relations

The District currently has approximately 682 full-time and part-time employees. Two labor organizations represent District employees. Certified employees, including teachers and educational specialists, are represented for collective bargaining purposes by the Hudson Education Association (HEA). Support employees, including cooks, custodians, educational aides and clerical staff, are represented for collective bargaining purposes by the Ohio Association of Public School Employees Local 372 (OAPSE).

Services Provided

The District provides a wide variety of educational and support services as mandated by the Ohio Revised Code or Board directives. The District contracts out its transportation of students. During the 2004-05 fiscal year, the District's fleet of 44 buses traveled 2,856 miles each day providing transportation services to 3,327 public and 320 private and parochial students. The Food Service Department served an average of 4,118 meals daily for a total of 733,086 meals annually through the District's school lunchrooms.

In addition to transportation and school lunch support services offered to children in the District, guidance, special education, (including school psychology services) and health services are available free of charge. Guidance services support the school environment and are designed to help students achieve a well-adjusted social life. Special education services, including school psychology services, are provided for all 13 federal disability categories ranging from preschool-age students through high school. Health services consist of the staffing of school clinics with R.N. or L.P.N. level nurses and health promotion classes.

At the center of the District's services are the instructional programs. The District offers regular instructional programs daily to students in grades pre-kindergarten to twelve. The District served approximately 500 identified students who need specially designed programs. These students received services through the wide array of special education programs offered in the District.

Finally, there are numerous academic and athletic programs for students, providing them with a number of enriching experiences. The District provides, through its Community Education and Recreation Department, a community-wide recreation program during the school year and throughout the summer months. The programs and activities provide a lifetime of memories for Hudson's students.

Major Curricular Initiatives - Fiscal Year 2005

Mathematics/Science Curricular Initiative

- Professional development of the middle school math teachers will continue to support the implementation of the new materials and to prepare the 8th grade teachers.
- Discussions between middle and high school mathematics teachers are planned to work on students transitioning from middle school to high school.
- 3rd, 5th, and 10th grade students will pilot new areas of state testing.
- High school teachers will review the Ohio Graduation Test objectives and test structure in their content areas. They will map where standards are being taught and will develop interventions.
- Pilot science materials at grades K, 1, 2, 4, 5, 6. Update Hudson course of study to align with state standards in science.
- Examine and improve curriculum materials ordering, purchasing and distribution system.

Language Arts/Social Studies Curricular Initiatives

- Align the Social Studies Course of Study to the Ohio Content Standards K-12.
- Integration of Media Literacy and Technology standards into language arts and social studies courses of study.
- Implementation of DIBELS at grades 2 and 3.



- Pilot of DIBELS at grade 4.
- Language arts professional development at grades 7 and 8: technology, media, struggling readers, book clubs.
- Curriculum Mapping continued: language arts, grades 6 and 7.
- Monitoring of supplemental reading classes for fluid movement of students most needing intervention.
- Continued work with first grade teachers on interpreting DIBELS data and implications for teaching and intervention with students.
- Facilitation of middle school and high school social studies meeting to prepare students for OGT and success at the high school level.
- Working with high school English department on OGT scoring and test taking strategies.
- Language arts materials review.
- District-wide Writing Assessment aligned to Ohio Content Standards K-8.
- Grade level meeting to write/rewrite social studies units to meet Ohio content standards.
- The District-wide writing assessments will be aligned with the language arts standards and course of study.
- TEAM Reading prevention/intervention will be supported in all classrooms.
- Language Arts Course of Study will be posted on website.

REACH (Gifted) Curricular Initiative
(Note: these are multi-year initiatives)

- Writing grant to ODE for support for implementation of differentiation in the classroom.
- Phase-in implementation of Written Education Plans (WEPs) for high-ability students; includes parent notification.
- Continuing implementation of differentiation.

Special Education Curricular Initiatives
(Note: these are multi-year initiatives)

- Professional Development with Special Education teachers will focus on the alignment of the Individual Education Plans (IEPs) to the Academic Content Standards.
- Implement new Alternative Assessment for Statewide Testing across grade levels.
- Training of EmPower, a writing intervention at the Intermediate and Middle School level.
- TEACCH training for Special Education teachers who work with students with Autism.
- Social Skills training for Special Education Teachers who work with students with Emotional Disabilities.
- Begin study of research on math programming for students with disabilities.
- Implementation of and training for DIBELS literacy assessment for all teachers K-4.



K-12 Technology/Media Initiatives

- Correlate K-5 nonfiction books with K-5 technology indicators from Ohio Technology Standards and provide in-service/support to K-5 teachers.
- Provide mini released-time in-services for areas selected by elementary teachers.
- Provide support/professional development for computer aides to troubleshoot PCs in elementary schools.
- Coordinate 3rd grade mentoring project; provide support for implementing 3rd grade research unit integrating Ohio Technology and Language Arts standards.
- Provide in-services/support for handheld computer projects at East Woods.
- Technology Coordinator presents at SchoolNet Conference on Elementary Keyboarding Program and with Language Arts Coordinator on correlating K-5 nonfiction books with K-5 technology indicators. Technology Coordinator presents at Kent State's handheld conference.
- Coordinate budget for SchoolNet funds and District technology funds. Replace hardware so teachers can implement Ohio Technology Standards in classrooms.
- Look for/submit further grants for the District.
- In-service and support staff at East Woods to explore potential of video streaming.
- Assist special education department in selecting/in-servicing the new IEP program.
- Integrating Technology Standards into Social Studies curriculum.
- Implementing the integration of technology standards into Language Arts.
- Increased curricular/academic presence on web.
- Teacher home web access to school files.
- Period-by-period attendance at the high school.
- Online student scheduling.
- Piloting online grade book use.
- Implement United Streaming Video usage at the Middle School and East Woods Elementary School.
- Continue to work on the Library/Media Course of study integration of Media Literacy Guidelines into the Social Studies and Language Arts curriculum.
- Continue to work with instructional staff and offer technology professional development



Major Curricular Initiatives - Fiscal Year 2006

District Initiatives

- Emotional Intelligence
 - Continue Classroom Management Roll Out at Building Level
 - How should this look in the classroom?
 - Leadership Academy: emotional intelligence work—now what?
 - Repeat of Part I, move on Part II
 - TRUST – small group coaching
- National speaker – DuFour
- Standards Implementation
 - Assessment
 - Prioritization
 - Teacher Collaboration for student learning:
 - Use of data for achievement/proficiency tests to develop interventions
 - Looking at student work – common access
 - Classroom-level assessments including common assessments
 - Diagnostic assessments (state)
 - Student learning data: data warehousing
 - Elementary Report Card
 - Celebrate current status
 - Collaboration district-wide
 - Regular education: understand special education
 - Provide least amount of teaching interruption for students
 - What do we do with the data?
- Creating interventions/supports: all levels, teacher training
- Focus on informational text/nonfiction text
 - (Nonfiction Literacy Conference)
 - November 8 and 9 for elementary
 - April 20 for MS
 - April 21 for HS
 - February 3, grades 8-12
- Content area reading/writing
- Gifted: WEPs; differentiation
- Standards-to-courses of study
 - Foreign Language
 - Fine Arts: Music, Art, Drama
 - Technology
 - Library/Media
 - Social studies, science, math: revise/finish
- State-required initiatives
 - Value Added progress monitoring for each child 4-8 in the 4 academic content areas: LA, math, science, social studies
- HQT – Special Ed
- District IEP software: IEP Anywhere
 - Training needed
- Technology – Database manager – student profiling,
 - Centralized all have access – one set of standards
- Parent Curriculum Nights
 - ACE software
- Drug and Alcohol awareness K-12
 - MS training
 - Continual review and update
- IAT is general ed initiative



- Treasure Chest model
- Parent Curriculum Nights

Language Arts Curriculum

- Reading Assessments 4-8 find an assessment that works; K-3 fine tune
- 3rd/4th grade follow up with DIBELS
- Research 6-12 (technology)
- Content-area reading/writing: 4/5, MS, HS
- Curriculum mapping: grades 3, 4, 5, LA 6, 7
- Interventions with specialists

Gifted Curriculum

- Continue WEP roll out to all ID gifted K-8
- Work in **all** other content-area initiatives
- Math: professional development for REACH team on extension strategies for math program
- Continue support for classroom differentiation
- Interventions/assessments: 4 common assessments K-5

Math Curriculum

- Begin study/COS review
 - Mapping standards K-10 (will begin this spring)
 - COS: 6-8
 - K-5 Revisiting and aligning indicators
 - Embed the tech standards
 - HS study/pilot integrated math programs for 9 & 10
- Revisit diagnostic tests K-2: where will the data go?
- Interventions/assessments: 4 common assessments K-5

Science Curriculum

- Content area reading/writing: 4/5, MS, HS
- MS (6-8) science adoption: professional development support
- Grades 1, 4, 5 new units adoption: professional development support
- Embed tech standards
- “Tweaking” and revising COS

Social Studies Curriculum

- Finish course of study
- Content area reading/writing
- Common assessments
- Embed appropriate tech standards into SS course of study

Special Education Curriculum

- Autism methodologies: TEACCH, ABA (train the trainer), floor time, etc.
- Continue standards-based IEP preparation
- 3-8 Study of math in special education
- Software training for IEP software
- Support ED students in the classroom
- Adaptive PE
- Support MS/HS teachers to achieve HQT status
- Compliance issues
- NEW IDEIA law
- Differentiation of instruction
- ESY: how students qualify: we may be serving too many; parent training; parent mentor can help train parents
- Interventions in reading math including flexible skill group in math



Technology Curriculum

- Standards/course of study
- Change in HS courses
- Integrate technology courses with each other: graphics, multimedia, yearbook, etc.
- Embed technology in curriculum
- Grades 6-8 Technology Units
- 60-90 minute mini-in-services for staff: rotate subs
- Participate in appropriate course of study revisions, e.g., library/media, social studies, language arts
- Technology standards: 9-12 in particular
- Projects such as ID cards, guidance scheduling, re-tooling our website; student data: warehousing/accessing of it → study ACE software for potential data warehousing capabilities

Graduate Courses

- Advanced “Making the Web Worthwhile”: developing online collaboration for students
- I-movie
- Informational/media literacy
- Differentiation: Tools for Tiering
- Math K-3, 4-6, 7-12: online course
- Nonfiction K-5
- Alcohol and drug awareness
- Special ed strategies for regular ed teachers (differentiation)

Summer Writing (2005)

K-12 Social studies

- HS common assessment writing
- OGT Interventions: project with Summit County.
- Training for MS science teachers and elementary 1,3,4,5 adoptions
- Curriculum Council proposals

Financial Reporting

For the fiscal year ended June 30, 2005, the District continued to report in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for the State and Local Governments.” The basic financial statements for reporting on the District’s financial activities are as follows:

- *Government-wide financial statements:* These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by business enterprises. The government-wide statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.
- *Fund financial statements:* These statements present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.
- *Statement of budgetary comparisons:* These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of this reporting model, management is responsible for preparing a Discussion and Analysis of the District. This discussion appears after the Independent Accountants’ Report in the financial section of this report. The Management’s Discussion and Analysis (MD&A) provides an assessment of the District’s finances for 2005. The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.



Financial Information

Internal Accounting and Budgetary Control

The District's accounting system is organized on a "fund" basis. Each fund is a distinct self-balancing accounting entity. Governmental fund operations are presented on the modified accrual basis, whereby revenues are recognized when measurable and available, and expenditures are recognized when goods and services are received. "Measurable" means the amount of the transaction can be determined. "Available" means collectable within the current fiscal period or soon enough thereafter to be used to pay liabilities of the current fiscal period, which the District considers to be sixty days after fiscal year-end. Proprietary funds and the private-purpose trust fund operations are presented on the accrual basis, whereby revenues are recognized when earned, and expenses when incurred.

In developing the District's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing the financial statements and maintaining the accountability of assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation. Management believes that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The District utilizes a fully-automated accounting system as well as an automated system of control for capital assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensure that the financial information generated is both accurate and reliable.

At the beginning of each fiscal year, the Board of Education adopts a permanent appropriation measure for the fiscal year. The permanent appropriation measure is adopted upon receipt from the County Fiscal Officer of an Amended Certificate of Estimated Resources based on final assessed values and tax rates, which is usually received before the beginning of the fiscal year.

Annual appropriations may not exceed the County Budget Commission's Official Certificate of Estimated Resources. The County Fiscal Officer must certify that the Board of Education's appropriation measures, including any supplements or amendments, do not exceed the amount set forth in the latest of those official estimates.

All disbursements and transfers of cash between funds require appropriation authority from the Board. Budgets are managed at the object account level within a function but controlled at the fund level. All purchase order requests must be approved by the purchasing agent and certified, as to the availability of funds, by the Treasurer. Following certification, the necessary funds are encumbered and purchase orders released to vendors.

The accounting system used by the District provides interim financial reports which detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations to date. In addition to interim financial statements, each administrator and school principal is furnished monthly reports showing the status of the budget accounts for which they are responsible. As an additional safeguard, all employees are covered by a blanket bond and certain individuals in policy-making roles are covered by a separate, higher limit bond.

The basis of accounting and the various funds utilized by the District are fully described in Note 2 of the basic financial statements. Additional information on the District's budgetary accounting can also be found in Note 2.

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. As with the financial section, all amounts presented in the remainder of this letter are expressed in rounded dollar amounts.

Independent Audit

State statutes require an annual audit by independent accountants. The Ohio Auditor of State conducted the District's 2004 fiscal year audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.



Other Information

Awards:

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Hudson City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This was the sixth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ASBO Certificate of Excellence

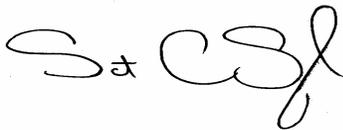
The District received the Association of School Business Officials (ASBO) International Certificate of Excellence in Financial Reporting Award for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This was the sixth consecutive year that the District has achieved this prestigious award. The award represents a significant achievement by the District and reflects the District's commitment to the highest standards of school system financial reporting. The District is also submitting this report to the Association of School Business Officials (ASBO) International for consideration of the Certificate of Excellence in Financial Reporting award. This award will certify that the Comprehensive Annual Financial Report conforms to the principles and standards of financial reporting as recommended and adopted by the Association of Schools Business Officials. This award is granted only after an intensive review of the financial report by an expert panel of certified public accountants and practicing school business officials. Management believes the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005, which will be submitted to ASBO for review, will continue to conform to ASBO's principles and standards.

Acknowledgments

The continued publication of this report is an indication of the District's commitment to be accountable to our investors, the residents of the Hudson City School District, and to our customers, the students.

The preparation and publication of this Comprehensive Annual Financial Report on a timely basis could not have been possible without the cooperation of the entire staff of the Treasurer's Office. Additional appreciation is extended to Mr. Paul Smith, Business Manager, for working so diligently to maintain the District's Capital Asset Records, to Ms. Sheryl Sheatzley, Communications Management Specialist, for her work on the cover and design, and also to Julian, & Grube Inc., for their expert guidance and assistance.

Respectfully submitted,



Scott C. Snyder, CPA
Treasurer

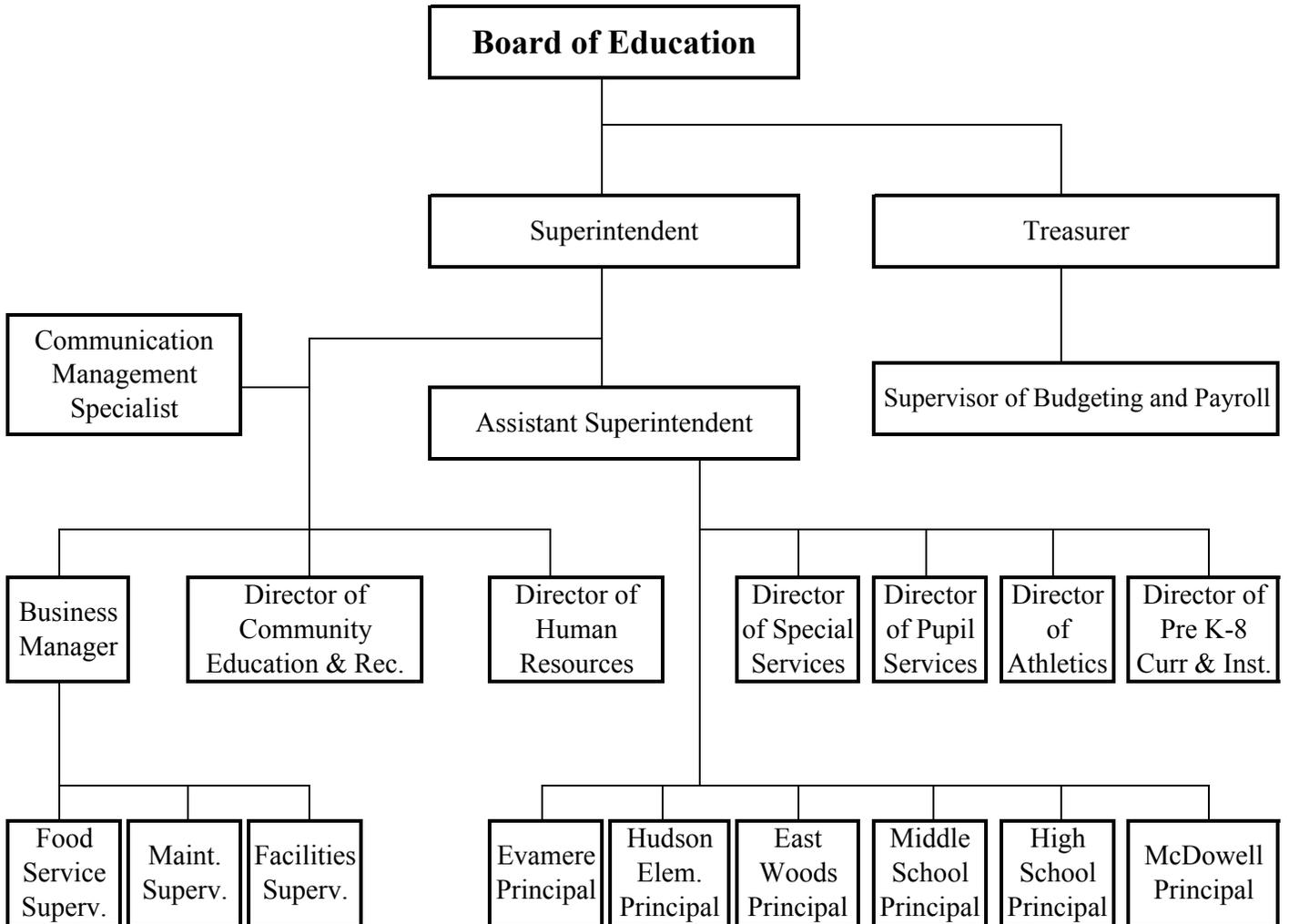


Maryann Wolowiec
Superintendent



**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Hudson City School District,
Ohio

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

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



President

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

HUDSON CITY SCHOOL DISTRICT

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

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

John J. Tomlinson
President

Barbara W. Keller
Executive Director



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
Hudson City School District
2386 Hudson-Aurora Road
Hudson, OH 44236

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hudson 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, as listed in the table of contents. These financial statements are the responsibility of the Hudson City School 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Hudson City School District, Summit County, Ohio, as of June 30, 2005, and the respective changes in financial position 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 GASB Technical Bulletin 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 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 and compliance and the results of that testing, and not to provide an opinion on the 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.

Independent Auditor's Report
Hudson City School District
Page Two

The management's discussion and analysis on pages F3 through F15 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 required 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 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 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.

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

Julian & Grube, Inc.
December 1, 2005

**HUDSON 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 Hudson 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 increased \$4,755,421. Net assets of governmental activities increased \$4,704,669, which represents a 24.44% increase from 2004. This is primarily the direct result of the full collection of a 5.5 mill current expense levy passed in November 2003 that was estimated to generate \$4.808M annually. Net assets of business-type activities increased \$50,752 or 44.12% from 2004.
- General revenues, related to governmental activities, accounted for \$57,309,350 in revenue or 90.76% of all revenues. Program specific revenues, related to governmental activities, in the form of charges for services and sales, grants and contributions accounted for \$5,831,698 or 9.24% of total revenues of \$63,141,048.
- The District had \$58,436,379 in expenses related to governmental activities; only \$5,831,698 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 \$57,309,350 were adequate to provide for these programs resulting in an increase to net assets from \$19,250,535 to \$23,955,204.
- The District had \$1,063,751 in expenses related to business-type activities; a total of \$1,114,503 was offset by program specific revenues and charges for services. Total revenues were adequate to provide for these programs by \$50,752 resulting in an increase to net assets from \$115,021 to \$165,773.
- The District's only major governmental funds are the general fund and building fund. The general fund had \$53,174,885 in revenues and other financing sources and \$48,243,645 in expenditures and other financing uses. The general fund's fund balance increased \$4,931,240 from \$2,753,712 to \$7,684,952. Again, this is largely the result of realizing the full collections of a 5.5 mill operating levy that was passed in November 2003.
- The District's other major governmental fund is the building fund. The building fund had \$18,634,694 in revenues and other financing sources and \$829,216 in expenditures and other financing uses. The building fund's fund balance increased \$17,805,478 to \$17,805,478. The District was able to leverage its portion (13.5%) of the 1% increase to the City of Hudson's income tax rate, which is dedicated for the express purpose of providing capital improvements for community learning centers. The District issued Certificates of Participation (COPS) in August 2004 generating the construction fund balance referenced above.

Using the Comprehensive Annual Financial Statements (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, or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

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 and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

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.

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 District is divided into two distinct kinds of activities:

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

Business-type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's Community Education and Recreation programs are reported as business-type activities.

The District's Statement of Net Assets and Statement of Activities can be found on pages F 16 – F 18 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 F 10. 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 funds are the general fund and building fund.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages F 19 – F 23 of this report.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages F 24 – F 26 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, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages F 27 – F 28. 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 F 29 - F 58 of this report.

The District as a Whole

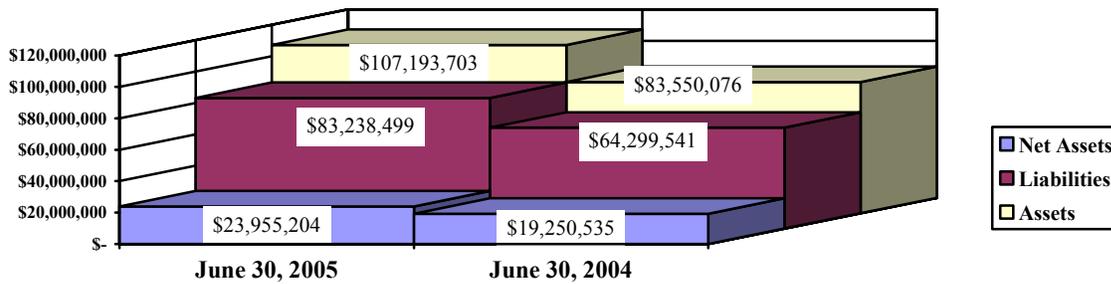
The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2005 and 2004.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

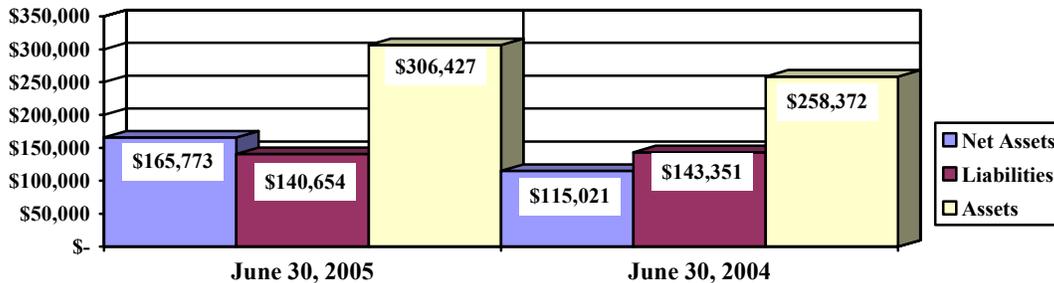
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Assets</u>						
Current and other assets	\$ 74,712,541	\$ 50,566,235	\$ 306,427	\$ 258,372	\$ 75,018,968	\$ 50,824,607
Capital assets	32,481,162	32,983,841	-	-	32,481,162	32,983,841
Total assets	<u>107,193,703</u>	<u>83,550,076</u>	<u>306,427</u>	<u>258,372</u>	<u>107,500,130</u>	<u>83,808,448</u>
<u>Liabilities</u>						
Current liabilities	42,690,757	43,565,302	104,510	114,845	42,795,267	43,680,147
Long-term liabilities	40,547,742	20,734,239	36,144	28,506	40,583,886	20,762,745
Total liabilities	<u>83,238,499</u>	<u>64,299,541</u>	<u>140,654</u>	<u>143,351</u>	<u>83,379,153</u>	<u>64,442,892</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	22,621,463	22,376,384	-	-	22,621,463	22,376,384
Restricted	1,964,726	2,573,352	-	-	1,964,726	2,573,352
Unrestricted (deficit)	(630,985)	(5,699,201)	165,773	115,021	(465,212)	(5,584,180)
Total net assets	<u>\$ 23,955,204</u>	<u>\$ 19,250,535</u>	<u>\$ 165,773</u>	<u>\$ 115,021</u>	<u>\$ 24,120,977</u>	<u>\$ 19,365,556</u>

Governmental - Net Assets



Business-Type - Net Assets



**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The table below shows the changes in net assets for fiscal years 2005 and 2004.

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services and sales	\$ 2,485,663	\$ 2,392,045	\$1,112,580	\$1,055,824	\$ 3,598,243	\$ 3,447,869
Operating grants and contributions	3,276,207	3,137,511	1,923	-	3,278,130	3,137,511
Capital grants and contributions	69,828	-	-	-	69,828	-
General revenues:						
Property taxes	39,055,009	33,634,471	-	-	39,055,009	33,634,471
Grants and entitlements	17,182,672	16,377,027	-	-	17,182,672	16,377,027
Investment earnings	952,108	177,039	-	-	952,108	177,039
Miscellaneous	119,561	263,177	-	-	119,561	263,177
Total revenues	63,141,048	55,981,270	1,114,503	1,055,824	64,255,551	57,037,094
Expenses						
Program expenses:						
Instruction:						
Regular	25,454,301	24,983,603	-	-	25,454,301	24,983,603
Special	4,551,698	4,185,412	-	-	4,551,698	4,185,412
Vocational	285,963	309,954	-	-	285,963	309,954
Adult	17,496	-	-	-	17,496	-
Other	388,805	476,290	-	-	388,805	476,290
Support services:						
Pupil	3,430,276	3,386,131	-	-	3,430,276	3,386,131
Instructional staff	3,900,864	3,631,033	-	-	3,900,864	3,631,033
Board of education	33,603	43,428	-	-	33,603	43,428
Administration	3,737,759	4,005,983	-	-	3,737,759	4,005,983
Fiscal	1,084,887	1,120,757	-	-	1,084,887	1,120,757
Business	370,938	414,012	-	-	370,938	414,012
Operations and maintenance	4,689,430	5,349,709	-	-	4,689,430	5,349,709
Pupil transportation	3,515,470	2,816,749	-	-	3,515,470	2,816,749
Central	342,548	361,106	-	-	342,548	361,106
Operation of non-instructional services	30,760	40,510	-	-	30,760	40,510
Extracurricular activities	1,200,351	1,233,044	-	-	1,200,351	1,233,044
Intergovernmental	1,497,383	1,248,837	-	-	1,497,383	1,248,837
Food service	1,577,089	1,563,691	-	-	1,577,089	1,563,691
Interest and fiscal charges	2,326,758	1,548,363	-	-	2,326,758	1,548,363
Community education	-	-	1,063,751	1,058,010	1,063,751	1,058,010
Total expenses	58,436,379	56,718,612	1,063,751	1,058,010	59,500,130	57,776,622
Changes in net assets	4,704,669	(737,342)	50,752	(2,186)	4,755,421	(739,528)
Net assets at beginning of year	19,250,535	19,987,877	115,021	117,207	19,365,556	20,105,084
Net assets at end of year	<u>\$ 23,955,204</u>	<u>\$ 19,250,535</u>	<u>\$ 165,773</u>	<u>\$ 115,021</u>	<u>\$ 24,120,977</u>	<u>\$ 19,365,556</u>

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

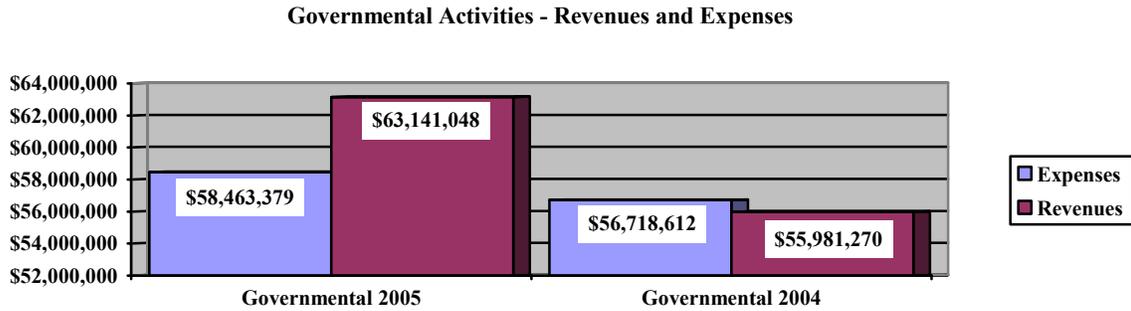
Governmental Activities

Net assets of the District's governmental activities increased \$4,704,669. Total governmental expenses of \$58,436,379 were offset by program revenues of \$5,831,698 and general revenues of \$57,309,350. Program revenues supported 9.98% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 89.07% of total governmental revenue. Property taxes support 66.83% of total expenses while grants and entitlements supported 29.40% of total expenses. Between these two revenue items, 96.24% of total governmental expenses were funded.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$30,698,263 or 52.53% of total governmental expenses for fiscal 2005.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2005 and 2004.



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 for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

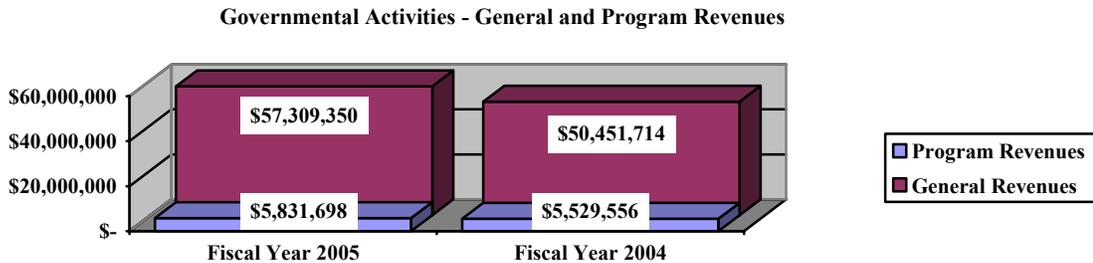
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

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	\$ 25,454,301	\$ 25,016,662	\$ 24,983,603	\$ 24,246,344
Special	4,551,698	4,049,963	4,185,412	3,801,146
Vocational	285,963	285,963	309,954	309,954
Adult	17,496	17,496	-	-
Other	388,805	388,805	476,290	476,290
Support services:				
Pupil	3,430,276	2,736,585	3,386,131	2,745,966
Instructional staff	3,900,864	3,325,513	3,631,033	3,229,395
Board of education	33,603	33,603	43,428	43,428
Administration	3,737,759	3,671,115	4,005,983	3,970,487
Fiscal	1,084,887	1,084,887	1,120,757	1,120,757
Business	370,938	370,938	414,012	414,012
Operations and maintenance	4,689,430	4,689,430	5,349,709	5,340,911
Pupil transportation	3,515,470	3,501,621	2,816,749	2,814,711
Central	342,548	325,162	361,106	340,761
Operation of non-instructional services	30,760	(4,086)	40,510	14,417
Extracurricular activities	1,200,351	731,638	1,233,044	898,226
Intergovernmental	1,497,383	71,581	1,248,837	(109,218)
Food service operations	1,577,089	(18,953)	1,563,691	(16,894)
Interest and fiscal charges	2,326,758	2,326,758	1,548,363	1,548,363
Total expenses	\$ 58,436,379	\$ 52,604,681	\$ 56,718,612	\$ 51,189,056

The dependence upon tax revenues during fiscal year 2005 for governmental activities is apparent, as 96.94% of 2005 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 90.02% in 2005. The District's taxpayers, as a whole, are by far the primary support for District's students.

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



**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Business-Type Activities

Business-type activities include Community Education and Recreation operations. These programs had revenues of \$1,114,503 and expenses of \$1,063,751 for fiscal year 2005. This resulted in an increase to net assets for the fiscal year of \$50,752. This fund is self-supporting through user fees and charges. Management assesses its performance to ensure that they are run efficiently.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page F 19) reported a combined fund balance of \$30,038,463, which is above last year's total of \$5,646,245. 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 <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	<u>Increase</u>
General	\$ 7,684,952	\$ 2,753,712	\$ 4,931,240
Building	17,805,478	-	17,805,478
Other Governmental	<u>4,548,033</u>	<u>2,892,533</u>	<u>1,655,500</u>
Total	<u>\$ 30,038,463</u>	<u>\$ 5,646,245</u>	<u>\$24,392,218</u>

General Fund

The District's general fund balance increased \$4,931,240. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 35,695,772	\$ 29,945,397	19.20 %
Tuition	69,161	71,399	(3.13) %
Interest earnings	459,068	136,341	236.71 %
Intergovernmental	16,735,604	16,219,244	3.18 %
Other revenues	<u>215,280</u>	<u>115,296</u>	86.72 %
Total	<u>\$ 53,174,885</u>	<u>\$ 46,487,677</u>	14.38 %

Tax revenue increased \$5,750,375 or 19.20% from the prior year. This is the result of the passage of a 5.5 mill operating levy in November 2003 with the first full –year of collections occurring in 2005 coupled with an increase in the amount of taxes collected by the Summit County Fiscal Officer and available to the District as an advance at fiscal year end. These amounts are reserved on the fund financial statements as property tax unavailable for appropriation.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Intergovernmental revenue increased \$516,360 or 3.18% from the prior year. The increase in investment income is due to increases in interest rates by the Federal Reserve Bank throughout the year and the increased funds available for investment. Tuition revenue decreased 3.13% compared to 2004. Other revenue increased \$99,984 which is comprised of receipts which are not categorized elsewhere and is largely due to the implementation of a student activity fee to defray the increased costs of extra-curricular & co-curricular programming.

The table that follows assists in illustrating the expenditures of the general fund.

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 28,670,763	\$ 28,136,436	1.90 %
Support services	18,800,081	19,309,912	(2.64) %
Extracurricular activities	<u>758,051</u>	<u>750,663</u>	0.98 %
Total	<u>\$ 48,228,895</u>	<u>\$ 48,197,011</u>	0.07 %

The expenditures of the general fund increased slightly from the prior year due primarily to standard personnel cost increases; however, this is significantly less than would typically occur between fiscal years. In addition, the District implemented permanent base-line budget reductions totaling \$2.5M leading into 2005 that culminated in a reduction-in-force of approximately 20 full-time-equivalents representing certified, classified, and administrative personnel.

Building Fund

The District's other major governmental fund is the building fund. The building fund had \$18,634,694 in revenues and other financing sources and \$829,216 in expenditures and other financing uses. The building fund's fund balance increased \$17,805,478 to \$17,805,478. The increase in fund balance in the building fund is primarily due to the District's issuance of certificates of participation to fund construction projects for school facilities. With the passage of a 1% increase to the City of Hudson's income tax rate, 13.50% of this 1% increase was dedicated to providing capital improvements to community learning centers in cooperation with the District. In turn, the District was able to leverage this 13.50% of the 1% increase by issuing Certificates of Participation in August 2004 generating the before-mentioned \$18,634,694 with the express intent of adding new instructional facilities that will also serve as community learning centers.

Enterprise Fund

The District maintains one enterprise fund to account for Community Education and Recreation Programs. The Community Education fund is considered a major enterprise fund of the District. Since the enterprise fund is accounted for on the same basis of accounting as business-type activities (the accrual basis of accounting), the statement of net assets and the results of operations on the fund financial statements mirror those reported as business-type activities on the District-wide financial statements. See page 9 for a discussion of the District's business-type activities.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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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 year 2005, the District amended its general fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$51,923,572, above original budget estimates of \$50,797,976. Of this \$1,125,596 difference, most was due to conservative intergovernmental and property tax estimates in the original budget and one-time taxes in-lieu of receipts that were not anticipated. The actual budgeted revenues and other financing sources for fiscal year 2005 totaled \$52,072,144, which was \$148,572 above the final budgeted revenues and other financing sources.

General fund original appropriations (expenditures and other financing uses) of \$50,662,643 were increased to \$50,765,036 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$49,838,100, which was \$926,936 less than the final budget appropriations, primarily because salary and benefit costs proved to be lower than anticipated in the original and final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$32,481,162 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The following table shows fiscal 2005 balances compared to 2004:

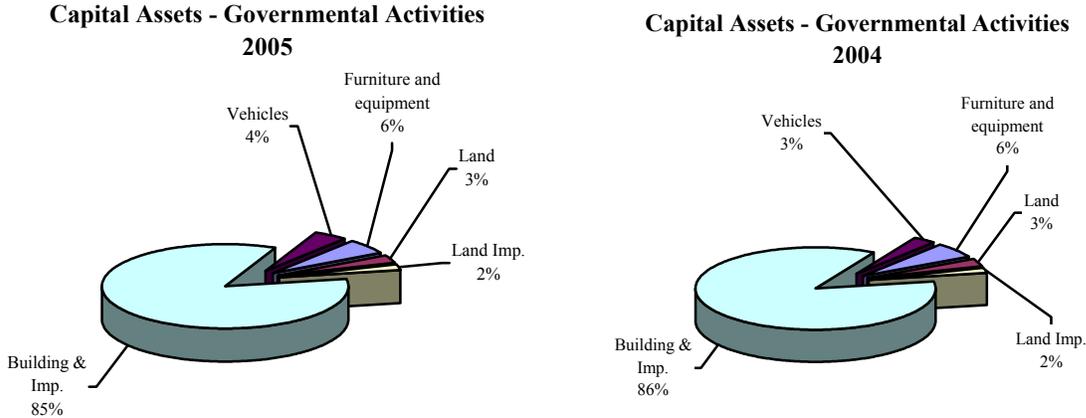
Capital Assets at June 30 (Net of Depreciation)		
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 1,032,204	\$ 1,032,204
Land improvements	642,824	702,376
Building and improvements	27,491,199	28,278,385
Furniture and equipment	1,891,468	1,921,220
Vehicles	<u>1,423,467</u>	<u>1,049,656</u>
Total	<u>\$ 32,481,162</u>	<u>\$ 32,983,841</u>

The decrease from 2004 to 2005 was a result of depreciation expense of \$1,416,195 and disposals of \$23,651 (net of accumulated depreciation) exceeding capital outlays \$937,167 in fiscal 2005.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The following graphs show the breakdown of governmental activities capital assets by category for 2005 and 2004.



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

Debt Administration

At June 30, 2005 the District had \$37,774,064 in general obligation bonds outstanding. Of this total, \$2,751,844 is due within one year and \$37,795,898 is due within greater than one year. During fiscal 2005, the District issued certificates of participation bonds in the amount of \$20,810,000 for construction projects in the District. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Series 1993, Improvement	\$ 9,085,531	\$ 10,013,041
Series 2003, Refunding	7,301,312	7,323,817
Certificates of Participation	20,810,000	-
Energy Conservation Bonds	<u>577,221</u>	<u>750,928</u>
Total	<u>\$ 37,774,064</u>	<u>\$ 18,087,786</u>

All bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment.

See Note 9 to the basic financial statements for more information on the District's debt administration.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. The general fund cash balance was \$11,914,069 at June 30, 2005. Fiscal year-end general fund cash balances were \$8,193,968, \$7,626,099, \$8,082,506, and \$6,396,977 at June 30 in Fiscal Years 2004, 2003, 2002, and 2001, respectively. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance and continue a quality, comprehensive educational program.

The Board's five-year projections indicated that the natural budget cycle needs would require additional operating income in calendar year 2006 to offset an anticipated deficit in 2009. With Board guidance, the recent fiscal year budgets have been carefully managed in order to maintain the integrity of the financial planning process, while being cognizant of future tax levy levels that are reasonable and in accordance with the expected educational excellence of our community.

Several significant legislative and judicial actions have occurred that will have a major impact on the District. The Ohio General Assembly has recently implemented major tax reform in Ohio that has not had a positive impact on our District. Over the next 5-years, the District will receive hold harmless or guarantee subsidies totaling \$4.4M. These subsidies are designed to bring District revenues back to 2004 levels and do not provide additional revenues to offset inflationary pressures on the operating budget. In addition, there are concerns that the State may not have the ability to fully fund these subsidies for primary and secondary education in the State budget. In spite of this, the Board will continue to evaluate all aspects of its operations, making prudent decisions where appropriate, in order to maximize its resources and offer excellent educational offerings.

Enrollment fluctuations will continue to be a concern as significant new housing developments are under construction or contemplation in areas that are within the District, however, outside of the City of Hudson's growth management ordinance that limits the number of residential housing permits issued in a given year. It is anticipated that the current downward trend in enrollment will be offset by these new housing developments over the course of the next 5-years. It is further anticipated that these increased student counts could further lead to the need for more staffing, additional building capacity, and quite possibly more resources. Each of these factors will have a profound impact on the operations of the District.

Another challenge facing the District is the need to update and expand its facilities to enhance and provide learning space designs for current and future students. With the assistance of the Hudson City Council, the District now receives 6.75% of the City's 2% income tax revenue for the express purpose of constructing community learning centers. In August of 2005, the District issued Certificates of Participation (COPS) generating a construction fund balance of \$17.8M. Currently and consistent with the income tax campaign, the District is adding a \$5.5M wing to its high school as well as contemplating an elementary building improvement plan that is focused on eliminating temporary educational trailers. The current elementary solution considers the construction of a Pre-K and 2nd grade building on a district owned parcel. This solution is currently being publicly discussed in order to validate community support.

The District has committed itself to educational and financial excellence for many years. The budgeting and internal controls utilized by the District have resulted in unqualified audit opinions. Each challenge identified in this section is viewed simultaneously as an opportunity for the District to foray down paths not previously traveled to continue its commitment to excellence. The District is committed to living within its financial means, and working with the community it serves in order to garner adequate resources to support the educational program.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Scott Snyder, Treasurer, Hudson City School District, 2400 Hudson-Aurora Road, Hudson, Ohio 44236 or by calling (330) 653-1200.

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HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 17,019,162	\$ 306,052	\$ 17,325,214
Investments.	16,629,596	-	16,629,596
Cash with fiscal agent.	1,804,829	-	1,804,829
Receivables:			
Taxes	38,198,394	-	38,198,394
Accounts	-	375	375
Intergovernmental	335,809	-	335,809
Accrued interest	275,679	-	275,679
Prepayments	703	-	703
Materials and supplies inventory.	4,387	-	4,387
Inventory held for resale	27,900	-	27,900
Unamortized bond issue costs	416,082	-	416,082
Capital assets:			
Land	1,032,204	-	1,032,204
Depreciable capital assets, net	31,448,958	-	31,448,958
Total capital assets	<u>32,481,162</u>	<u>-</u>	<u>32,481,162</u>
Total assets.	<u>107,193,703</u>	<u>306,427</u>	<u>107,500,130</u>
Liabilities:			
Accounts payable.	251,368	32,704	284,072
Accrued wages and benefits	5,072,079	40,506	5,112,585
Pension obligation payable.	1,152,256	28,750	1,181,006
Intergovernmental payable	204,933	2,550	207,483
Deferred revenue	35,288,061	-	35,288,061
Accrued interest payable	139,499	-	139,499
Claims payable	582,561	-	582,561
Long-term liabilities:			
Due within one year.	2,751,844	19,151	2,770,995
Due in more than one year	37,795,898	16,993	37,812,891
Total liabilities	<u>83,238,499</u>	<u>140,654</u>	<u>83,379,153</u>
Net Assets:			
Invested in capital assets, net of related debt.	22,621,463	-	22,621,463
Restricted for:			
Capital projects	684,474	-	684,474
Debt service.	692,918	-	692,918
Locally funded programs	21,252	-	21,252
State funded programs	81,552	-	81,552
Federally funded programs	294,247	-	294,247
Student activities	190,283	-	190,283
Unrestricted (deficit).	<u>(630,985)</u>	<u>165,773</u>	<u>(465,212)</u>
Total net assets	<u>\$ 23,955,204</u>	<u>\$ 165,773</u>	<u>\$ 24,120,977</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 25,454,301	\$ 388,533	\$ 49,106	\$ -
Special	4,551,698	-	501,735	-
Vocational	285,963	-	-	-
Adult	17,496	-	-	-
Other	388,805	-	-	-
Support services:				
Pupil	3,430,276	211,827	481,864	-
Instructional staff	3,900,864	7,898	567,453	-
Board of education	33,603	-	-	-
Administration	3,737,759	-	66,644	-
Fiscal	1,084,887	-	-	-
Business	370,938	-	-	-
Operations and maintenance	4,689,430	-	-	-
Pupil transportation	3,515,470	-	13,849	-
Central	342,548	-	17,386	-
Operation of non-instructional services	30,760	13,164	21,682	-
Extracurricular activities	1,200,351	398,885	-	69,828
Intergovernmental	1,497,383	-	1,425,802	-
Food service operations	1,577,089	1,465,356	130,686	-
Interest and fiscal charges	2,326,758	-	-	-
Total governmental activities	58,436,379	2,485,663	3,276,207	69,828
Business-type activities:				
Community education	1,063,751	1,112,580	1,923	-
Total business-type activities	1,063,751	1,112,580	1,923	-
Totals	\$ 59,500,130	\$ 3,598,243	\$ 3,278,130	\$ 69,828

General Revenues:

Property taxes levied for:
General purposes
Debt service
Capital outlay
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets at beginning of year
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities		Business-Type Activities		Total
\$	(25,016,662)	\$	-	\$ (25,016,662)
	(4,049,963)		-	(4,049,963)
	(285,963)		-	(285,963)
	(17,496)		-	(17,496)
	(388,805)		-	(388,805)
	(2,736,585)		-	(2,736,585)
	(3,325,513)		-	(3,325,513)
	(33,603)		-	(33,603)
	(3,671,115)		-	(3,671,115)
	(1,084,887)		-	(1,084,887)
	(370,938)		-	(370,938)
	(4,689,430)		-	(4,689,430)
	(3,501,621)		-	(3,501,621)
	(325,162)		-	(325,162)
	4,086		-	4,086
	(731,638)		-	(731,638)
	(71,581)		-	(71,581)
	18,953		-	18,953
	(2,326,758)		-	(2,326,758)
	(52,604,681)		-	(52,604,681)
	-		50,752	50,752
	-		50,752	50,752
	(52,604,681)		50,752	(52,553,929)
	35,701,776		-	35,701,776
	2,270,292		-	2,270,292
	1,082,941		-	1,082,941
	17,182,672		-	17,182,672
	952,108		-	952,108
	119,561		-	119,561
	57,309,350		-	57,309,350
	4,704,669		50,752	4,755,421
	19,250,535		115,021	19,365,556
\$	23,955,204	\$	165,773	\$ 24,120,977

HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 12,044,739	\$ 1,118,087	\$ 3,084,699	\$ 16,247,525
Investments	-	16,629,596	-	16,629,596
Cash with fiscal agent	-	-	1,804,829	1,804,829
Receivables:				
Taxes	35,005,834	-	3,192,560	38,198,394
Intergovernmental	2,523	-	333,286	335,809
Accrued interest	111,571	164,108	-	275,679
Interfund loans	122,714	-	-	122,714
Prepayments	703	-	-	703
Materials and supplies inventory	-	-	4,387	4,387
Inventory held for resale	-	-	27,900	27,900
Total assets	<u><u>\$ 47,288,084</u></u>	<u><u>\$ 17,911,791</u></u>	<u><u>\$ 8,447,661</u></u>	<u><u>\$ 73,647,536</u></u>
Liabilities:				
Accounts payable	\$ 169,594	\$ -	\$ 81,774	\$ 251,368
Accrued wages and benefits	4,798,650	-	273,429	5,072,079
Compensated absences payable	84,469	-	3,681	88,150
Pension obligation payable	1,084,117	-	68,139	1,152,256
Intergovernmental payable	198,481	-	6,314	204,795
Interfund loan payable	-	-	122,714	122,714
Deferred revenue	33,267,821	106,313	3,343,577	36,717,711
Total liabilities	<u><u>39,603,132</u></u>	<u><u>106,313</u></u>	<u><u>3,899,628</u></u>	<u><u>43,609,073</u></u>
Fund Balances:				
Reserved for encumbrances	1,334,012	108,856	285,452	1,728,320
Reserved for materials and supplies inventory	-	-	32,287	32,287
Reserved for debt service	-	-	3,045,518	3,045,518
Reserved for property tax unavailable for appropriation	1,825,715	-	182,269	2,007,984
Reserved for prepayments	703	-	-	703
Unreserved, undesignated, reported in:				
General fund	4,524,522	-	-	4,524,522
Special revenue funds	-	-	546,330	546,330
Capital projects funds	-	17,696,622	456,177	18,152,799
Total fund balances	<u><u>7,684,952</u></u>	<u><u>17,805,478</u></u>	<u><u>4,548,033</u></u>	<u><u>30,038,463</u></u>
Total liabilities and fund balances	<u><u>\$ 47,288,084</u></u>	<u><u>\$ 17,911,791</u></u>	<u><u>\$ 8,447,661</u></u>	<u><u>\$ 73,647,536</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUDSON 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		\$ 30,038,463
<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.		32,481,162
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 902,349	
Accrued interest	194,015	
Intergovernmental revenue	<u>333,286</u>	
Total		1,429,650
An internal service fund is used by management to charge the costs of medical and dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		188,938
Unamortized bond issuance costs are not recognized in the funds.		416,082
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(16,964,064)	
Certificates of participation	(20,810,000)	
Compensated absences	(2,685,528)	
Accrued interest payable	<u>(139,499)</u>	
Total		<u>(40,599,091)</u>
Net assets of governmental activities		<u>\$ 23,955,204</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUDSON 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

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ 35,695,772	\$ -	\$ 3,356,106	\$ 39,051,878
Tuition	69,161	-	-	69,161
Earnings on investments	459,068	337,095	6,383	802,546
Charges for services	-	-	1,473,077	1,473,077
Extracurricular	65,890	-	511,025	576,915
Classroom materials and fees	37,307	-	206,226	243,533
Other local revenues	112,083	-	130,455	242,538
Intergovernmental - Intermediate	543,276	-	-	543,276
Intergovernmental - State	16,192,328	-	2,047,893	18,240,221
Intergovernmental - Federal	-	-	1,524,507	1,524,507
Total revenue	<u>53,174,885</u>	<u>337,095</u>	<u>9,255,672</u>	<u>62,767,652</u>
Expenditures:				
Current:				
Instruction:				
Regular	24,047,010	-	404,623	24,451,633
Special	4,024,127	-	473,399	4,497,526
Vocational	270,846	-	-	270,846
Other	328,780	-	60,025	388,805
Support Services:				
Pupil	2,741,992	-	664,664	3,406,656
Instructional staff	3,324,008	-	527,490	3,851,498
Board of Education	39,319	-	-	39,319
Administration	3,618,121	-	63,541	3,681,662
Fiscal	1,031,487	1,500	48,190	1,081,177
Business	370,855	-	-	370,855
Operations and maintenance	4,552,039	-	-	4,552,039
Pupil transportation	2,812,402	-	502,840	3,315,242
Central	309,858	-	32,693	342,551
Operation of non-instructional services	-	-	24,675	24,675
Extracurricular activities	758,051	-	365,104	1,123,155
Food service operations	-	-	1,557,715	1,557,715
Intergovernmental pass through	-	-	1,496,878	1,496,878
Facilities acquisition and construction	-	378,734	563,000	941,734
Debt service:				
Principal retirement	-	-	2,373,707	2,373,707
Interest and fiscal charges	-	-	968,779	968,779
Bond issue costs	-	426,874	-	426,874
Total expenditures	<u>48,228,895</u>	<u>807,108</u>	<u>10,127,323</u>	<u>59,163,326</u>
Excess of revenues over (under) expenditures	<u>4,945,990</u>	<u>(470,013)</u>	<u>(871,651)</u>	<u>3,604,326</u>
Other financing sources (uses):				
Discount on certificates of participation issued	-	(22,108)	-	(22,108)
Issuance of certificates of participation	-	18,297,599	2,512,401	20,810,000
Transfers in	-	-	222,989	222,989
Transfers (out)	(14,750)	-	(208,239)	(222,989)
Total other financing sources (uses)	<u>(14,750)</u>	<u>18,275,491</u>	<u>2,527,151</u>	<u>20,787,892</u>
Net change in fund balances	4,931,240	17,805,478	1,655,500	24,392,218
Fund balances at beginning of year (restated)	<u>2,753,712</u>	<u>-</u>	<u>2,892,533</u>	<u>5,646,245</u>
Fund balances at end of year	<u>\$ 7,684,952</u>	<u>\$ 17,805,478</u>	<u>\$ 4,548,033</u>	<u>\$ 30,038,463</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUDSON 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	\$	24,392,218
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 937,167	
Current year depreciation	<u>(1,416,195)</u>	
Total		(479,028)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(23,651)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	3,131	
Intergovernmental	150,875	
Accrued interest	<u>149,562</u>	
Total		303,568
Repayment of bond principal (including accreted interest on capital appreciation bonds) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		2,373,707
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		416,082
In the statement of activities, interest is accrued on outstanding bonds and certificates participation whereas in governmental funds, interest expenditure is reported when due. In governmental funds, an interest expenditure is reported when due. The additional interest reported on the statement of activities is the result of two factors:		
Accrued interest	(75,094)	
Accreted interest on capital appreciation bonds	<u>(1,249,985)</u>	
Total		(1,325,079)
The issuance of certificates of participation are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(20,810,000)
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.		
		(277,953)
The internal service fund used by management to charge the costs of medical and dental insurance to individual funds are not reported in the District-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>134,805</u>
Change in net assets of governmental activities	\$	<u>4,704,669</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUDSON 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>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
From local sources:				
Taxes	\$ 33,613,825	\$ 34,359,677	\$ 34,458,214	\$ 98,537
Tuition	62,318	69,152	69,161	9
Earnings on investments	371,634	379,880	380,970	1,090
Extracurricular	64,274	65,702	65,890	188
Classroom materials and fees	44,332	37,307	37,307	-
Other local revenues	108,875	112,300	112,587	287
Intergovernmental - Intermediate sources	529,962	541,721	543,276	1,555
Intergovernmental - State	15,795,544	16,146,024	16,192,328	46,304
Total revenue	<u>50,590,764</u>	<u>51,711,763</u>	<u>51,859,733</u>	<u>147,970</u>
Expenditures:				
Current:				
Instruction:				
Regular	24,907,900	24,959,144	24,498,827	460,317
Special	4,043,697	4,051,933	3,979,493	72,440
Vocational	310,789	309,637	303,587	6,050
Other	710,564	712,358	697,949	14,409
Support Services:				
Pupil	2,911,678	2,918,198	2,863,185	55,013
Instructional staff	3,373,241	3,379,668	3,319,264	60,404
Board of Education	45,849	45,942	45,121	821
Administration	3,855,939	3,863,791	3,794,715	69,076
Fiscal	1,094,986	1,097,216	1,077,600	19,616
Business	382,129	382,908	376,062	6,846
Operations and maintenance	4,730,430	4,740,064	4,655,322	84,742
Pupil transportation	2,900,275	2,906,181	2,854,225	51,956
Central	403,113	403,933	396,712	7,221
Extracurricular activities	824,984	826,664	811,885	14,779
Total expenditures	<u>50,495,574</u>	<u>50,597,637</u>	<u>49,673,947</u>	<u>923,690</u>
Excess of revenues over expenditures	<u>95,190</u>	<u>1,114,126</u>	<u>2,185,786</u>	<u>1,071,660</u>
Other financing sources (uses):				
Refund of prior year expenditure	1,836	1,875	1,875	-
Refund of prior year receipt	(1,111)	(1,103)	(830)	273
Transfers in	22,831	23,338	23,405	67
Transfers (out)	(14,988)	(15,018)	(14,750)	268
Advances in	182,545	186,596	187,131	535
Advances (out)	(150,970)	(151,278)	(148,573)	2,705
Total other financing sources (uses)	<u>40,143</u>	<u>44,410</u>	<u>48,258</u>	<u>3,848</u>
Net change in fund balance	135,333	1,158,536	2,234,044	1,075,508
Fund balance at beginning of year	6,668,814	6,668,814	6,668,814	-
Prior year encumbrances appropriated	1,555,148	1,555,148	1,555,148	-
Fund balance at end of year	\$ 8,359,295	\$ 9,382,498	\$ 10,458,006	\$ 1,075,508

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-Type Activities - Community Education Fund	Governmental Activities - Internal Service Fund
Assets:		
Equity in pooled cash and cash equivalents	\$ 306,052	\$ 771,637
Receivables:		
Accounts	375	-
Total assets	306,427	771,637
Liabilities:		
Current:		
Accounts payable	32,704	-
Accrued wages and benefits	40,506	-
Compensated absences	19,151	-
Pension obligation payable	28,750	-
Intergovernmental payable	2,550	138
Claims payable	-	582,561
Total current liabilities	123,661	582,699
Long-term liabilities:		
Compensated absences payable	16,993	-
Total liabilities	140,654	582,699
Net assets:		
Unrestricted	165,773	188,938
Total net assets	\$ 165,773	\$ 188,938

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Community Education Fund	Governmental Activities - Internal Service Fund
Operating revenues:		
Sales/charges for services.	\$ 1,112,580	\$ 6,088,234
Total operating revenues	1,112,580	6,088,234
Operating expenses:		
Personal services.	508,229	38,944
Purchased services.	504,772	941,687
Materials and supplies	45,698	-
Claims	-	4,972,798
Other.	5,052	-
Total operating expenses.	1,063,751	5,953,429
Operating income	48,829	134,805
Non-operating revenue:		
Intergovernmental.	1,923	-
Total non-operating revenues.	1,923	-
Change in net assets	50,752	134,805
Net assets at beginning of year.	115,021	54,133
Net assets at end of year	\$ 165,773	\$ 188,938

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Community Education Fund	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/charges for services	\$ 1,112,205	\$ 6,095,830
Cash payments for personal services	(506,557)	(38,967)
Cash payments for contractual services	(513,476)	(941,687)
Cash payments for materials and supplies	(41,363)	-
Cash payments for claims	-	(4,907,059)
Cash payments for other expenses	(5,052)	-
	45,757	208,117
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Cash received from grants	1,923	-
	1,923	-
Net cash provided by noncapital financing activities		
Net increase in cash and cash equivalents	47,680	208,117
Cash and cash equivalents at beginning of year	258,372	563,520
Cash and cash equivalents at end of year	\$ 306,052	\$ 771,637
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 48,829	\$ 134,805
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(375)	7,596
(Decrease) in accounts payable	(4,761)	-
Increase in accrued wages and benefits	5,621	-
Increase (decrease) in intergovernmental payable	212	(23)
Increase in compensated absences payable	7,638	-
(Decrease) in pension obligation payable	(11,407)	-
Increase in claims payable	-	65,739
	-	65,739
Net cash provided by operating activities	\$ 45,757	\$ 208,117

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private-Purpose Trust	
	Scholarships	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 2,985	\$ 147,255
Total assets	2,985	\$ 147,255
Liabilities:		
Accounts payable.	-	\$ 66,673
Intergovernmental payable.	-	3,120
Accrued wages.	-	1,524
Undistributed monies.	-	57,737
Pension obligation payable.	-	4,952
Due to students.	-	13,249
Total liabilities	-	\$ 147,255
Net Assets:		
Held in trust for scholarships	2,985	
Total net assets.	\$ 2,985	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust
	Scholarships
Additions:	
Gifts and contributions	\$ 67,300
Total additions	67,300
Deductions:	
Scholarships awarded	67,300
Change in net assets	-
Net assets at beginning of year.	2,985
Net assets at end of year	\$ 2,985

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**HUDSON 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 Hudson City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board of Education and provides educational services as mandated by state and/or federal agencies. This Board controls the District's nine instructional/support facilities. The District provides more than instruction to its students. These additional services include student guidance, extracurricular activities, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. These District operations will be included as part of the reporting entity.

The District ranks as the 61st largest by enrollment among the 614 public school districts in the state. The District employs 229 non-certified, 425 certified and 31 administrative employees to provide services to approximately 5,273 students and community groups.

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 and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The District has elected not to apply these FASB Statements and Interpretations. 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" and 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, and student related activities of the District.

**HUDSON 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)

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' governing 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 organizations 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 these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Six District Educational Compact (the "Compact")

The Compact is a jointly governed organization to provide for the vocational 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 class offered by any of the six school districts. Hudson City School District serves as fiscal agent for this agreement, collecting and distributing payments pertaining to the administrative portion of the compact. The board exercises total control over the operations of the compact, including budgeting, appropriating, contracting and designating management.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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.

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 difference between governmental fund assets and liabilities is reported as fund balance.

**HUDSON 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 are the District's major governmental funds:

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

Building Fund - The building fund is used to account for the receipts and expenditures involved in the construction and replacement of facilities for the instruction of students. A portion of the proceeds from the sale of certificates of participation are paid into this fund. Expenditures recorded here represent the costs of acquiring and improving capital facilities.

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds consist of an enterprise fund and an internal service fund.

Enterprise Fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's major enterprise fund is the Community Education fund which accounts for all financial activities related to the Community Education and Recreation Center operations.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service fund accounts for operations of the District's self-insurance program for medical and dental benefits.

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 fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and for the fiscal agent activity for the Six District Educational Compact.

**HUDSON 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)

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. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

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

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

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

**HUDSON 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)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's proprietary funds are charges for sales and services. Operating expenses for the enterprise fund include personnel and other expenses related to the operations of the Community Education and Recreation Center and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do 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. Proprietary and fiduciary funds also 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, 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, and student fees.

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

**HUDSON 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)

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 received during the year is reported in the financial statements as an expense 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 prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Summit County Budget Commission for rate determination. The Summit County Commissioners waived this requirement for fiscal 2005.

**HUDSON 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)

Estimated Resources:

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

Appropriations:

Upon receipt from the County Fiscal Officer of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons in the basic financial statements at the fund and function level of expenditures.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**HUDSON 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)

F. Cash and Investments

To improve cash management, cash received by the District is pooled into central bank accounts. Monies for all funds, including proprietary and fiduciary 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" and "Investments" on the basic financial statements.

Cash with fiscal agent represents amounts held by a trustee in accordance with the agreement for the issuance of the Certificates of Participation (COPs).

During fiscal year 2005, investments were limited to overnight repurchase agreements, non-negotiable certificates of deposit, federal agency securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 non-negotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$459,068, which includes \$130,614 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the basic financial statements, investments purchased by 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 fiscal 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.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food, purchased food and bookstore inventory held for resale.

**HUDSON 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)

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000 for its general capital assets during fiscal 2005. Interest is not capitalized in the governmental or proprietary funds and the District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 8 years

I. Interfund Balances

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

The District reports compensated absences and salary related payments in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

**HUDSON 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)

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The District has accrued a liability for these compensated absences using the termination method which is based on the District's past experience of making termination payments for sick leave.

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.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, debt service, prepayments, and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

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.

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 and after nonoperating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental funds are eliminated for reporting on the government-wide statement of activities.

Q. Nonpublic Schools

Within the District boundaries, there are six private or parochial schools which receive funding from the State of Ohio through current state legislation. These monies are received and disbursed on behalf of the private or parochial schools by the Treasurer of the District, as directed by the schools. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund (a nonmajor governmental fund) for financial reporting purposes.

R. Extraordinary and Special Items

Extraordinary items are transactions or 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. Neither type of transaction occurred during fiscal 2005.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

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

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 implementation of GASB Statement No. 40 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, 2005:

	<u>General</u>	<u>Nonmajor</u>	<u>Total Governmental</u>
Fund Balances, June 30, 2004	\$ 3,092,938	\$ 2,952,579	\$ 6,045,517
GASB Technical Bulletin No. 2004-2	<u>(339,226)</u>	<u>(60,046)</u>	<u>(399,272)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 2,753,712</u>	<u>\$ 2,892,533</u>	<u>\$ 5,646,245</u>

B. Deficit Fund Balances

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

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Teacher Development	\$ 25
Ohio Reads	16
Summer Intervention	16,547
Other State Grants	27,180
Title VI-B	15,609
Drug-Free Grant	3,514
EHA Preschool Grant	2,974
Other State Grants	923

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 these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are a result of adjustments for accrued liabilities.

**HUDSON 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

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;
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 Treasury Asset Reserve of Ohio (STAR Ohio);

**HUDSON 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)

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 \$1,400 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. Cash with Fiscal Agent

At fiscal year-end, the District had \$1,804,829 in cash and equivalents held by a trustee in accordance with the agreement for the issuance of the certificates of participation (COPs). This amount is included on the balance sheet and the statement of net assets as "Cash with Fiscal Agent".

C. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$5,749,973, exclusive of the \$1,310,000 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, \$5,852,595 of the District's bank balance of \$6,237,394 was exposed to custodial risk as discussed below, while \$384,799 was covered by Federal Deposit Insurance Corporation.

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.

**HUDSON 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)

E. Investments

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

Investment type	Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	Greater Than 24 months
FHLMC DN	\$ 7,981,720	\$ 7,981,720	\$ -	\$ -	\$ -
FHLB DN	989,515	989,515	-	-	-
FNMA DN	4,191,086	3,220,726	970,360	-	-
FHLB	5,914,155	1,496,774	4,417,381	-	-
FHLMC	3,977,806	498,875	989,222	1,489,709	1,000,000
FNMA	3,969,413	995,303	1,985,486	988,624	-
Repurchase Agreement	1,310,000	1,310,000	-	-	-
STAR Ohio	19,982	19,982	-	-	-
	<u>\$ 28,353,677</u>	<u>\$ 16,512,895</u>	<u>\$ 8,362,449</u>	<u>\$ 2,478,333</u>	<u>\$ 1,000,000</u>

The weighted average maturity of investments is .55 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 below and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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.

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

Investment type	Fair Value	% of Total
FHLMC DN	\$ 7,981,720	28.15
FHLB DN	989,515	3.49
FNMA DN	4,191,086	14.78
FHLB	5,914,155	20.86
FHLMC	3,977,806	14.03
FNMA	3,969,413	14.00
Repurchase Agreement	1,310,000	4.62
STAR Ohio	19,982	0.07
	<u>\$ 28,353,677</u>	<u>100.00</u>

**HUDSON 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)

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	\$ 5,749,973
Investments	28,353,677
Cash on hand	1,400
Cash with fiscal agent	1,804,829
Total	<u>\$ 35,909,879</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 35,453,587
Business type activities	306,052
Private-purpose trust funds	2,985
Agency funds	147,255
Total	<u>\$ 35,909,879</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2005, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 122,714

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.

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.

**HUDSON 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)

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

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 14,750
Transfers from nonmajor governmental funds to:	
Nonmajor governmental funds	208,239

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.

All transfers made in fiscal year 2005 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16

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.

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, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**HUDSON 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 District receives property taxes from Summit County. The County Fiscal Officer 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 as an advance at June 30, 2005 was \$1,825,715 in the general fund, \$122,402 in the debt service fund and \$59,867 in the Permanent Improvement capital projects fund (a nonmajor governmental fund). The amount available for advance at June 30, 2004 was \$607,681 in the general fund, \$43,813 in the debt service fund and \$19,623 in the Permanent Improvement capital projects fund (a nonmajor governmental fund). The amount available as advance can vary depending upon when 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.

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

The assessed values upon which the fiscal year 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	\$ 797,188,020	92.15	\$ 806,742,980	92.40
Tangible Personal Property	51,669,668	5.97	50,398,882	5.77
Public Utility Personal	<u>16,218,330</u>	<u>1.88</u>	<u>15,998,320</u>	<u>1.83</u>
Total	<u>\$ 865,076,018</u>	<u>100.00</u>	<u>\$ 873,140,182</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
General Operations	\$ 71.03		\$ 76.53	
Debt Service	2.62		2.95	
Permanent Improvement	1.50		1.50	

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accrued interest, 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 principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Property taxes	\$ 38,198,394
Accrued interest	275,679
Intergovernmental	<u>335,809</u>
Total	<u>\$ 38,809,882</u>

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

NOTE 8 - CAPITAL ASSETS

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

	<u>Balance 07/01/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,032,204	\$ -	\$ -	\$ 1,032,204
Total capital assets, not being depreciated	<u>1,032,204</u>	<u>-</u>	<u>-</u>	<u>1,032,204</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,586,122	-	-	1,586,122
Buildings and improvements	45,023,904	-	-	45,023,904
Furniture and equipment	8,386,844	321,467	-	8,708,311
Vehicles	<u>3,197,231</u>	<u>615,700</u>	<u>(217,304)</u>	<u>3,595,627</u>
Total capital assets, being depreciated	<u>58,194,101</u>	<u>937,167</u>	<u>(217,304)</u>	<u>58,913,964</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(883,746)	(59,552)	-	(943,298)
Buildings and improvements	(16,745,519)	(787,186)	-	(17,532,705)
Furniture and equipment	(6,465,624)	(351,219)	-	(6,816,843)
Vehicles	<u>(2,147,575)</u>	<u>(218,238)</u>	<u>193,653</u>	<u>(2,172,160)</u>
Total accumulated depreciation	<u>(26,242,464)</u>	<u>(1,416,195)</u>	<u>193,653</u>	<u>(27,465,006)</u>
Governmental activities capital assets, net	<u>\$ 32,983,841</u>	<u>\$ (479,028)</u>	<u>\$ (23,651)</u>	<u>\$ 32,481,162</u>

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 896,358
Special	36,861
Vocational	14,332
Other	17,496

Support Services:

Pupil	17,636
Instructional staff	44,288
Administration	24,504
Board of education	1,144
Operations and maintenance	66,747
Pupil transportation	200,228
Operation of non-instructional	6,849
Extracurricular activities	67,098
Food service operations	<u>22,654</u>

Total depreciation expense	<u><u>\$ 1,416,195</u></u>
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**HUDSON 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 governmental activities long-term obligations:

	Balance Outstanding <u>07/01/04</u>	<u>Additions</u>	<u>Deletions</u>	Balance Outstanding <u>06/30/05</u>	Amount Due in <u>One Year</u>
Governmental Activities:					
Certificates of Participation 2.25% - 5.0% 06/01/2034 maturity	\$ -	\$ 20,810,000	\$ -	\$ 20,810,000	\$ 100,000
<u>General Obligation Bonds:</u>					
Series 1993, Improvement Capital Appreciation Bonds 12.558% (average effective) 12/15/03 - 12/15/10 maturity	2,611,565	-	(449,051)	2,162,514	422,786
Series 1993, Improvement Capital Appreciation Bonds Accreted interest	7,401,476	1,147,490	(1,625,949)	6,923,017	1,667,214
Series 2003, Refunding Current Interest Bonds 2.0-4.0%, 12/15/14 maturity	6,045,000	-	(125,000)	5,920,000	130,000
Series 2003, Refunding Capital Appreciation Bonds 7.860% (average effective) 12/15/11 maturity	1,199,964	-	-	1,199,964	-
Series 2003, Refunding Capital Appreciation Bonds Accreted interest	78,853	102,495	-	181,348	-
Energy Conservation Bonds 5.20%, 12/01/07 maturity	<u>750,928</u>	<u>-</u>	<u>(173,707)</u>	<u>577,221</u>	<u>182,739</u>
Total, general obligation bonds and certificates of participation	<u>18,087,786</u>	<u>22,059,985</u>	<u>(2,373,707)</u>	<u>37,774,064</u>	<u>2,502,739</u>
Compensated absences	<u>2,646,453</u>	<u>514,996</u>	<u>(387,771)</u>	<u>2,773,678</u>	<u>249,105</u>
Total, governmental activities	<u>\$ 20,734,239</u>	<u>\$ 22,574,981</u>	<u>\$ (2,761,478)</u>	<u>\$ 40,547,742</u>	<u>\$ 2,751,844</u>
Business-type Activities:					
Compensated absences	<u>\$ 28,506</u>	<u>\$ 20,585</u>	<u>\$ (12,947)</u>	<u>\$ 36,144</u>	<u>\$ 19,151</u>
Total, business-type activities	<u>\$ 28,506</u>	<u>\$ 20,585</u>	<u>\$ (12,947)</u>	<u>\$ 36,144</u>	<u>\$ 19,151</u>

All bonds and the certificates of participation will be paid from the debt service fund (a nonmajor governmental fund). All bonds are backed by the full faith and credit of the District. Compensated absences will be paid from the fund from which the employee is paid, which includes the general fund and nonmajor governmental funds.

**HUDSON 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)

Series 1993 School Improvement General Obligation Bonds

During 1993, the District issued general obligation bonds to provide for building improvements to the high school. During fiscal 2005, the District refunded the callable portion of the outstanding bonds by issuing the Series 2003 refunding bonds described below. The non-callable portion of the Series 1993 bonds consisted of capital appreciation bonds, par value \$16,735,000. The capital appreciation bonds mature on December 15, 2003 through 2010 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. During fiscal 2005, the District retired a capital appreciation bond with a par value of \$2,075,000. The present value reported in the statement of net assets at June 30, 2005 was \$2,162,514. Total accreted interest of \$181,348 has been included on the statement of net assets.

Series 2003 Refunding General Obligation Bonds

On August 19, 2003, the District issued general obligation bonds (Series 2003 School Improvement Refunding bonds) to advance refund the callable portion of the Series 1993 School Improvement General Obligation Bonds (principal \$7,245,000; interest rate 7.10%). The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds par value \$6,045,000, and capital appreciation bonds, par value \$2,280,000. The interest rate on the current interest bonds range from 2.0-4.0%. The capital appreciation bonds mature on December 15, 2011 (effective interest 7.860%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2005 was \$1,199,964. Total accreted interest of \$6,923,017 has been included on the statement of net assets.

The capital appreciation bonds are not subject to early redemption. The current interest bonds maturing on or after December 15, 2012 are subject to prior redemption on or after December 15, 2011 by and at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 15, 2011 through December 14, 2012	101.0% of par
December 15, 2012 through December 14, 2013	100.5% of par
December 15, 2013 and thereafter	100.0% of par

Interest payments on the current interest bonds are due on June 15 and December 15 of each year. The final maturity for the current interest bonds is December 15, 2014.

This refunding was undertaken to reduce total debt service payments over the next eleven years by \$712,528 and resulted in an economic gain of \$610,463.

Certificates of Participation - The certificates of participation (COPs) were issued to finance various construction projects throughout the District. The COPs range in interest rates from 2.25 - 5.00% and mature in fiscal year 2034.

**HUDSON 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)

- B.** Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30	General Obligation Current Interest Bonds			General Obligation Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 130,000	\$ 224,125	\$ 354,125	\$ 422,786	\$ 1,667,214	\$ 2,090,000
2007	130,000	221,525	351,525	394,425	1,695,575	2,090,000
2008	135,000	218,639	353,639	368,133	1,726,867	2,095,000
2009	140,000	215,127	355,127	345,534	1,754,466	2,100,000
2010	140,000	211,103	351,103	324,771	1,775,229	2,100,000
2011 - 2015	5,245,000	642,701	5,887,701	1,506,829	2,888,171	4,395,000
Total	<u>\$ 5,920,000</u>	<u>\$ 1,733,220</u>	<u>\$ 7,653,220</u>	<u>\$ 3,362,478</u>	<u>\$ 11,507,522</u>	<u>\$ 14,870,000</u>

Fiscal Year Ending June 30	General Obligation Energy Conservation Bonds		
	Principal	Interest	Total
2006	\$ 182,739	\$ 25,264	\$ 208,003
2007	192,242	15,515	207,757
2008	202,240	5,258	207,498
Total	<u>\$ 577,221</u>	<u>\$ 46,037</u>	<u>\$ 623,258</u>

- C.** Principal and interest requirements to retire the certificates of participation outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2006	\$ 100,000	\$ 968,540	\$ 1,068,540
2007	115,000	966,290	1,081,290
2008	130,000	963,702	1,093,702
2009	150,000	960,452	1,110,452
2010	175,000	955,953	1,130,953
2011 - 2015	1,330,000	4,666,276	5,996,276
2016 - 2020	2,265,000	4,334,449	6,599,449
2021 - 2025	3,530,000	3,744,150	7,274,150
2026 - 2030	5,305,000	2,723,725	8,028,725
2031 - 2034	7,710,000	1,123,950	8,833,950
Total	<u>\$ 20,810,000</u>	<u>\$ 21,407,487</u>	<u>\$ 42,217,487</u>

**HUDSON 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)

D. 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 \$51,658,058 (including available funds of \$3,167,920) and an unvoted debt margin of \$873,140.

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees working 11 or 12 months per year are entitled to an annual vacation, with pay, based on length of service in the District. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers and administrators working fewer than ten months per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated for an unlimited number of days. For certified and classified employees, payment is made at retirement for accumulated sick leave and is determined by taking one-fourth of the first 136 days and adding to that one day for every eight days in excess of 136 days to a maximum of 35 additional days of severance. Maximum severance in total is 69 days. See Note 2.J. for further detail on the financial reporting of the District's compensated absences.

NOTE 11 - RISK MANAGEMENT

A. General Insurance

The District is exposed to various risks of loss related to torts; theft; damage to or destruction of assets, errors and omissions; employee injuries; and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$1,000 per incident. The District's vehicle liability insurance policy limit is \$1,000,000 with a \$1,000 collision deductible. All board members, administrators and employees are covered under a District liability policy. The limits of this coverage are \$1,000,000 per occurrence and \$5,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

B. Fidelity Bond

The Board President and Superintendent have a \$50,000 position bond. The Treasurer is covered under a surety bond in the amount of \$50,000. All other school employees who are not specifically bonded are covered by a \$50,000 position bond and a money and securities bond of \$5,000, subject to a \$250 deductible.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Employee Health Insurance

The District has elected to provide employee medical, prescription and dental benefits through a self-insurance program. The District maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss in this program. This plan provides a medical plan with a \$250 family and \$125 single deductible. A third party administrator, Employee Benefit Consultants located in Cleveland, Ohio, reviews and processes all claims for payment. The District purchases stop-loss coverage of \$125,000 per individual and \$3,703,066 in the aggregate.

The District pays into the self-insurance internal service fund for full-time medical and prescription drug family coverage \$900.60 per month for certified, classified and administrative employees. Single coverage full-time costs are \$410.76 for certified, classified and administrative employees. Employees are considered part-time if they work 20 or more hours per week and less than 35-hours per week. Part-time employees are eligible for family and single coverage. The premiums for part-time employees are prorated according to hours worked per week for certified employees and hours worked per 35 hour week for classified employees.

Dental coverage is also provided on a self-insured basis through Employee Benefit Consultants. Premium costs for this coverage are \$34.38 per month for family coverage and \$11.66 per month for single coverage for certified employees. Premiums for classified employees are prorated according to hours worked per 35-hour week with premiums ranging from \$60.18 to \$31.66 for family coverage and \$27.94 to \$14.26 for single coverage. Employees working 20 or more hours per week are eligible for dental coverage. The District is responsible for payment of all claim amounts in excess of the employee payment percentages of fixed rates established in each plan.

The premiums are paid by the funds that pay the salary for the employees, except for those grant funds whose agreements do not fund employee health insurance, and is based on historical cost information.

The District also provides prescription drug insurance to its employees through a self-insured program. The plan pays 80 percent of the cost of prescriptions with the employee paying 20 percent. This plan utilizes no prescription deductible for prescriptions. The third party administrator, Employee Benefit Consultants, reviews and processes the claims. The premium for this coverage is included in the medical plan premium amounts stated above.

The claims liability of \$582,561 reported in the internal service fund at June 30, 2005, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2005	\$ 516,822	\$ 4,972,798	\$ (4,907,059)	\$ 582,561
2004	254,514	5,110,143	(4,847,835)	516,822

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT - (Continued)

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

D. Workers' Compensation

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - 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 \$637,309, \$537,621 and \$469,034, respectively; 43.01% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$363,179 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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 \$3,413,257, \$3,364,324, and \$3,236,411, respectively; 83.47% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$564,193 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 \$43,766 made by the District and \$86,348 made by plan members.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

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

NOTE 13 - 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 \$262,558 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 \$294,793 during the 2005 fiscal year.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

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 adverse effect on the financial position of the District.

B. Litigation

In the normal course of operations, the District may be subject to litigation and claims. While the outcome of such matters cannot presently be determined, management believes that their ultimate resolution will not have a material adverse effect on the financial statements.

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 - 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:

	Instructional <u>Materials</u>	Capital <u>Improvement</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 2004	\$ (1,930,087)	\$ -	\$ (1,930,087)
Current year set-aside requirement	806,533	806,533	1,613,066
Current year offset	-	(20,810,000)	(20,810,000)
Qualifying disbursements	<u>(587,764)</u>	<u>(463,995)</u>	<u>(1,051,759)</u>
Total	<u>\$ (1,711,318)</u>	<u>\$ (20,467,462)</u>	<u>\$ (22,178,780)</u>
Balance carried forward to FY 2006	<u>\$ (1,711,318)</u>	<u>\$ (20,467,462)</u>	<u>\$ (22,178,780)</u>

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

NOTE 15 - STATUTORY RESERVES - (Continued)

The District had offsets and qualifying disbursements during the year that reduced the textbooks/instructional materials and capital improvement reserve set-aside amounts below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The 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:

- (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	\$ 2,234,044
Net adjustment for revenue accruals	1,315,152
Net adjustment for expenditure accruals	(117,396)
Net adjustment for other sources/uses	(63,008)
Adjustment for encumbrances	<u>1,562,448</u>
GAAP basis	<u>\$ 4,931,240</u>

COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

FUND DESCRIPTIONS

GENERAL FUND

The general fund is used to account for resources traditionally associated with a school district which are not required legally or by sound financial management to be accounted for in another fund. These activities include, but are not limited to, general instruction, pupil services, operation and maintenance of facilities, student transportation, and administration.

Since there is only one general fund and the legal level of budgetary control is not greater than that presented in the basic financial statements, no additional financial statements are presented here.

NONMAJOR SPECIAL REVENUE FUNDS

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

Public School Support - This fund accounts for school site sales projects; field trips, assemblies and other activity costs. These funds have been developed at each school with purpose and policy statements.

Other Grants - This fund accounts for the proceeds of specific revenue sources except for State and Federal grants that are legally restricted to expenditures for specified purposes.

Athletic and Music - This fund accounts for gate receipts and other revenues from athletic events and all costs (except supplemental coaching contracts) of the District's Athletic Programs.

Auxiliary Services - This fund is used to account for monies which provide services and materials to pupils attending non-public schools within the District.

Teacher Development - State grant received for the enhancement and continuing education of the teaching staff and development of in-service programs.

Management Information System - This fund accounts for State monies which are used solely for costs associated with the requirements of the educational management information system.

Entry Year - To implement entry-year programs pursuant to Section 3317.024(T) of the Revised Code.

Data Communications - This fund accounts for money appropriated for Ohio Educational Computer Network Connections.

SchoolNet Professional Development - This fund accounts for a limited number of professional development subsidy grants.

Ohio Reads - This fund accounts for State monies which are intended to improve reading outcomes, especially on the fourth grade reading proficiency test, and for volunteer coordinators in public school buildings for educational service centers for operating expenses associated with administering the program.

Summer Intervention - A fund used to account for a summer reading intervention program.

Other State Grants - A miscellaneous fund to account for certain state grants not accounted for in other funds.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

FUND DESCRIPTIONS

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Title VI-B - This fund accounts for federal revenues which assist states in the identification of handicapped children and provision of full educational opportunities of handicapped children at the pre-school, elementary and secondary levels.

Title III - Funds to develop and carry out elementary and secondary school programs, including activities at the pre-school level, to meet educational needs of children of limited English proficiency.

Title I - To provide financial assistance to State and Local educational agencies to meet the special needs of educationally deprived children.

Title VI - This fund accounts for federal revenues which support the implementation of a variety of programs (drug/alcohol abuse, computer education) to benefit children attending public and private non-profit schools within the community.

Drug-Free Grant - This fund accounts for federal revenues for education of students and staff in drug abuse prevention.

EHA Preschool Grant - A Federal grant that addresses the improvement and expansion of services for handicapped children ages three to five years.

Classroom Reduction - To account for grant monies used for the hiring of additional classroom teachers in grades one through three, so that the number of students per teacher will be reduced.

Other Federal Grants - This fund accounts for various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere.

Food Service - To account for monies received and used that are related to the food service operations of the School District.

Uniform School Supplies - To account for the purchase and sale of school supplies for use in the School District. Profits derived from such sales are used for school purposes or activities connected with the school.

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

NONMAJOR DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

The capital projects funds account for the receipts and disbursements of monies used for the acquisition, construction or major renovation of capital facilities (other than those financed by enterprise funds).

MAJOR CAPITAL PROJECTS FUND

Building - This fund is used to account for the receipts and expenditures involved in the construction and replacement of facilities for the instruction of students. A portion of the proceeds from the sale of certificates of participation are paid into this fund. Expenditures recorded here represent the costs of acquiring and improving capital facilities.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

FUND DESCRIPTIONS

NONMAJOR CAPITAL PROJECTS FUNDS

Permanent Improvement - The Permanent Improvement Fund may be used for acquiring real estate for school purposes; for constructing, adding to, remodeling and improving school buildings. Such expenditures shall add permanently to the school land or buildings, or extend the useful life of existing buildings for five years or more. The fund may also be used for landscaping and making other school site improvements which have an anticipated useful life of five years or more.

SchoolNet - Used for the purchase of hardware and other computer equipment.

MAJOR ENTERPRISE FUND

The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's major enterprise fund is the Community Education fund which accounts for all the financial activities related to the Community Education and Recreation Center operations.

INTERNAL SERVICE FUND

The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, on a cost-reimbursement basis. The internal service fund accounts for operations of the District's self-insurance program for medical and dental benefits.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: 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. Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations.

PRIVATE-PURPOSE TRUST FUND

The private-purpose scholarship fund accounts for monies set-aside from endowments for scholarships for students enrolled in the District. The principal and income from such a fund may be expended.

AGENCY FUNDS

Student Activities - This fund accounts for resources that belong to the student bodies of the various schools; accounting for sales and other revenue generating activities.

Six District Educational Compact - To account for the activity of the Six District Compact for which the District is the fiscal agent.

**HUDSON 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 Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,226,750	\$ 1,240,689	\$ 617,260	\$ 3,084,699
Cash with fiscal agent	-	1,804,829	-	1,804,829
Receivables:				
Taxes	-	2,135,584	1,056,976	3,192,560
Intergovernmental	333,286	-	-	333,286
Materials and supplies inventory	4,387	-	-	4,387
Inventory held for resale	27,900	-	-	27,900
Total assets	<u>\$ 1,592,323</u>	<u>\$ 5,181,102</u>	<u>\$ 1,674,236</u>	<u>\$ 8,447,661</u>
Liabilities:				
Accounts payable	\$ 69,631	\$ -	\$ 12,143	\$ 81,774
Accrued wages and benefits	273,429	-	-	273,429
Compensated absences payable	3,681	-	-	3,681
Pension obligation payable	68,139	-	-	68,139
Intergovernmental payable	6,314	-	-	6,314
Interfund loan payable	122,714	-	-	122,714
Deferred revenue	333,286	2,013,182	997,109	3,343,577
Total liabilities	<u>877,194</u>	<u>2,013,182</u>	<u>1,009,252</u>	<u>3,899,628</u>
Fund Balances:				
Reserved for encumbrances	136,512	-	148,940	285,452
Reserved for materials and supply inventory	32,287	-	-	32,287
Reserved for debt service	-	3,045,518	-	3,045,518
Reserved for property tax unavailable for appropriation	-	122,402	59,867	182,269
Unreserved, undesignated, reported in:				
Special revenue funds	546,330	-	-	546,330
Capital projects funds	-	-	456,177	456,177
Total fund balances	<u>715,129</u>	<u>3,167,920</u>	<u>664,984</u>	<u>4,548,033</u>
Total liabilities and fund balances	<u>\$ 1,592,323</u>	<u>\$ 5,181,102</u>	<u>\$ 1,674,236</u>	<u>\$ 8,447,661</u>

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ -	\$ 2,273,407	\$ 1,082,699	\$ 3,356,106
Earnings on investments.	6,383	-	-	6,383
Charges for services	1,473,077	-	-	1,473,077
Extracurricular.	511,025	-	-	511,025
Classroom materials and fees	206,226	-	-	206,226
Other local revenues.	130,455	-	-	130,455
Intergovernmental - State	1,600,825	270,296	176,772	2,047,893
Intergovernmental - Federal.	1,524,507	-	-	1,524,507
Total revenue	<u>5,452,498</u>	<u>2,543,703</u>	<u>1,259,471</u>	<u>9,255,672</u>
Expenditures:				
Current:				
Instruction:				
Regular	346,643	-	57,980	404,623
Special.	473,399	-	-	473,399
Other	43,250	-	16,775	60,025
Support Services:				
Pupil.	664,664	-	-	664,664
Instructional staff	527,490	-	-	527,490
Administration.	63,541	-	-	63,541
Fiscal	-	32,683	15,507	48,190
Pupil transportation	13,000	-	489,840	502,840
Central.	32,693	-	-	32,693
Operation of non-instructional services	24,675	-	-	24,675
Extracurricular activities.	365,104	-	-	365,104
Food service operations	1,557,715	-	-	1,557,715
Intergovernmental pass through	1,496,878	-	-	1,496,878
Facilities acquisition and construction	-	-	563,000	563,000
Debt service:				
Principal retirement	-	2,373,707	-	2,373,707
Interest and fiscal charges	-	968,779	-	968,779
Total expenditures	<u>5,609,052</u>	<u>3,375,169</u>	<u>1,143,102</u>	<u>10,127,323</u>
Excess of revenues over (under) expenditures.	<u>(156,554)</u>	<u>(831,466)</u>	<u>116,369</u>	<u>(871,651)</u>
Other financing sources (uses):				
Issuance of certificates of participation	-	2,512,401	-	2,512,401
Transfers in.	14,750	208,239	-	222,989
Transfers (out)	-	-	(208,239)	(208,239)
Total other financing sources (uses)	<u>14,750</u>	<u>2,720,640</u>	<u>(208,239)</u>	<u>2,527,151</u>
Net change in fund balances	(141,804)	1,889,174	(91,870)	1,655,500
Fund balances at beginning of year (restated).	856,933	1,278,746	756,854	2,892,533
Fund balances at end of year	<u>\$ 715,129</u>	<u>\$ 3,167,920</u>	<u>\$ 664,984</u>	<u>\$ 4,548,033</u>

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**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

	Public School Support	Other Grants	Athletic and Music	Auxiliary Services
Assets:				
Equity in pooled cash and cash equivalents	\$ 178,721	\$ 21,252	\$ 195,350	\$ 94,988
Receivables:				
Intergovernmental	-	-	-	-
Materials and supplies inventory	-	-	-	-
Inventory held for resale	-	-	-	-
Total assets	\$ 178,721	\$ 21,252	\$ 195,350	\$ 94,988
Liabilities:				
Accounts payable	\$ 7,561	\$ -	\$ 1,915	\$ 40,161
Accrued wages and benefits	-	-	-	27,308
Compensated absences payable	-	-	-	-
Pension obligation payable.	-	-	-	6,960
Intergovernmental payable	218	-	831	548
Interfund loan payable	-	-	2,321	-
Deferred revenue	-	-	-	-
Total liabilities	7,779	-	5,067	74,977
Fund Balances:				
Reserved for encumbrances	8,018	-	44,162	31,583
Reserved for inventories	-	-	-	-
Unreserved, undesignated (deficit), reported in: Special revenue funds.	162,924	21,252	146,121	(11,572)
Total fund balance (deficit).	170,942	21,252	190,283	20,011
Total liabilities and fund balances	\$ 178,721	\$ 21,252	\$ 195,350	\$ 94,988

Teacher Development	Management Information System	Entry Year	SchoolNet Professional Development	Ohio Reads	Summer Intervention	Other State Grants
\$ 5,463	\$ 63,022	\$ 3,300	\$ 800	\$ -	\$ 15,283	\$ 4,916
-	-	-	-	-	16,294	31,998
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,463</u>	<u>\$ 63,022</u>	<u>\$ 3,300</u>	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ 31,577</u>	<u>\$ 36,914</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,468	-	-	-	-	15,283	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20	-	19	8	16	253	98
-	-	-	-	-	16,294	31,998
-	-	-	-	-	16,294	31,998
<u>5,488</u>	<u>-</u>	<u>19</u>	<u>8</u>	<u>16</u>	<u>48,124</u>	<u>64,094</u>
-	-	3,300	800	-	-	-
-	-	-	-	-	-	-
<u>(25)</u>	<u>63,022</u>	<u>(19)</u>	<u>(8)</u>	<u>(16)</u>	<u>(16,547)</u>	<u>(27,180)</u>
<u>(25)</u>	<u>63,022</u>	<u>3,281</u>	<u>792</u>	<u>(16)</u>	<u>(16,547)</u>	<u>(27,180)</u>
<u>\$ 5,463</u>	<u>\$ 63,022</u>	<u>\$ 3,300</u>	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ 31,577</u>	<u>\$ 36,914</u>

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**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

	Title VI-B	Title III	Title I	Title VI
Assets:				
Equity in pooled cash and cash equivalents	\$ 99,969	\$ -	\$ 37,051	\$ 36,625
Receivables:				
Intergovernmental	147,390	534	3,235	29,311
Materials and supplies inventory	-	-	-	-
Inventory held for resale	-	-	-	-
Total assets	\$ 247,359	\$ 534	\$ 40,286	\$ 65,936
Liabilities:				
Accounts payable	\$ 2,063	\$ -	\$ -	\$ 119
Accrued wages and benefits	111,304	-	9,908	-
Compensated absences payable	-	-	-	-
Pension obligation payable.	456	-	-	-
Intergovernmental payable	1,755	-	218	34
Interfund loan payable	-	-	6,873	29,479
Deferred revenue	147,390	534	3,235	29,311
Total liabilities	262,968	534	20,234	58,943
Fund Balances:				
Reserved for encumbrances	29,196	-	-	3
Reserved for inventories	-	-	-	-
Unreserved, undesignated (deficit), reported in:				
Special revenue funds.	(44,805)	-	20,052	6,990
Total fund balance (deficit).	(15,609)	-	20,052	6,993
Total liabilities and fund balances	\$ 247,359	\$ 534	\$ 40,286	\$ 65,936

Drug-Free Grant	EHA Preschool Grant	Classroom Reduction	Other Federal Grants	Food Service	Uniform School Supplies	Other Special Revenue	Total Nonmajor Special Revenue Funds
\$ 5,932	\$ 2,943	\$ 30,726	\$ 3,706	\$ 314,432	\$ 99,600	\$ 12,671	\$ 1,226,750
9,113	3,118	87,286	5,007	-	-	-	333,286
-	-	-	-	4,387	-	-	4,387
-	-	-	-	27,900	-	-	27,900
<u>\$ 15,045</u>	<u>\$ 6,061</u>	<u>\$ 118,012</u>	<u>\$ 8,713</u>	<u>\$ 346,719</u>	<u>\$ 99,600</u>	<u>\$ 12,671</u>	<u>\$ 1,592,323</u>
\$ 141	\$ -	\$ 1,250	\$ -	\$ 7,287	\$ 9,134	\$ -	\$ 69,631
189	5,088	5,787	-	93,094	-	-	273,429
-	-	-	-	3,681	-	-	3,681
-	-	876	-	59,847	-	-	68,139
3	75	141	-	2,071	6	-	6,314
9,113	754	17,444	4,629	-	3,809	-	122,714
9,113	3,118	87,286	5,007	-	-	-	333,286
<u>18,559</u>	<u>9,035</u>	<u>112,784</u>	<u>9,636</u>	<u>165,980</u>	<u>12,949</u>	<u>-</u>	<u>877,194</u>
210	-	1,155	-	5,848	10,293	1,944	136,512
-	-	-	-	32,287	-	-	32,287
<u>(3,724)</u>	<u>(2,974)</u>	<u>4,073</u>	<u>(923)</u>	<u>142,604</u>	<u>76,358</u>	<u>10,727</u>	<u>546,330</u>
<u>(3,514)</u>	<u>(2,974)</u>	<u>5,228</u>	<u>(923)</u>	<u>180,739</u>	<u>86,651</u>	<u>12,671</u>	<u>715,129</u>
<u>\$ 15,045</u>	<u>\$ 6,061</u>	<u>\$ 118,012</u>	<u>\$ 8,713</u>	<u>\$ 346,719</u>	<u>\$ 99,600</u>	<u>\$ 12,671</u>	<u>\$ 1,592,323</u>

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

	Public School Support	Other Grants	Athletic and Music	Auxiliary Services
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ 2,855
Charges for services	7,721	-	-	-
Extracurricular	143,882	-	266,447	-
Classroom materials and fees	58,841	-	-	-
Other local revenues	52,825	-	66,548	-
Intergovernmental - State	-	-	-	1,425,802
Intergovernmental - Federal	-	-	-	-
Total revenue	263,269	-	332,995	1,428,657
Expenditures:				
Current:				
Instruction:				
Regular	66,457	-	-	-
Special	-	-	-	-
Other	-	4,971	-	-
Support Services:				
Pupil	178,461	-	-	-
Instructional staff	7,137	500	-	-
Administration	-	-	-	-
Pupil transportation	-	-	-	-
Central	-	12,059	-	-
Operation of non-instructional services	12,456	-	-	-
Extracurricular activities	59	-	365,045	-
Food service operations	-	-	-	-
Intergovernmental pass through	-	-	-	1,496,878
Total expenditures	264,570	17,530	365,045	1,496,878
Excess of revenues over (under) expenditures.	(1,301)	(17,530)	(32,050)	(68,221)
Other financing sources:				
Transfers in	-	-	14,750	-
Total other financing sources	-	-	14,750	-
Net change in fund balances	(1,301)	(17,530)	(17,300)	(68,221)
Fund balances (deficit)				
at beginning of year	172,243	38,782	207,583	88,232
Fund balances (deficit) at end of year	\$ 170,942	\$ 21,252	\$ 190,283	\$ 20,011

<u>Teacher Development</u>	<u>Management Information System</u>	<u>Entry Year</u>	<u>Data Communications</u>	<u>SchoolNet Professional Development</u>	<u>Ohio Reads</u>	<u>Summer Intervention</u>	<u>Other State Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	17,386	9,900	18,000	4,140	8,000	82,239	34,105
-	-	-	-	-	-	-	-
-	17,386	9,900	18,000	4,140	8,000	82,239	34,105
-	-	6,581	-	-	7,989	-	77
-	-	-	-	-	-	98,225	-
-	-	-	36,000	-	-	-	-
-	-	-	-	-	-	-	-
5,488	-	-	-	4,027	-	-	60,607
-	-	-	-	-	-	-	13,686
-	-	-	-	-	-	-	-
-	20,634	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,488	20,634	6,581	36,000	4,027	7,989	98,225	74,370
(5,488)	(3,248)	3,319	(18,000)	113	11	(15,986)	(40,265)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(5,488)	(3,248)	3,319	(18,000)	113	11	(15,986)	(40,265)
5,463	66,270	(38)	18,000	679	(27)	(561)	13,085
\$ (25)	\$ 63,022	\$ 3,281	\$ -	\$ 792	\$ (16)	\$ (16,547)	\$ (27,180)

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**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

	Title VI-B	Title III	Title I	Title VI	Drug-Free Grant
Revenues:					
From local sources:					
Earnings on investments	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Extracurricular	-	-	-	-	-
Classroom materials and fees	-	-	-	-	-
Other local revenues	-	-	-	-	-
Intergovernmental - State	-	-	-	-	-
Intergovernmental - Federal	1,068,465	-	138,982	52,812	11,898
Total revenue	<u>1,068,465</u>	<u>-</u>	<u>138,982</u>	<u>52,812</u>	<u>11,898</u>
Expenditures:					
Current:					
Instruction:					
Regular	-	16	-	13,050	-
Special	299,259	-	74,702	-	-
Other	-	-	-	-	-
Support Services:					
Pupil	363,275	-	51,570	-	15,484
Instructional staff	354,585	-	-	-	-
Administration	49,678	-	-	-	-
Pupil transportation	10,000	-	-	-	-
Central	-	-	-	-	-
Operation of non-instructional services	2,120	-	-	7,266	875
Extracurricular activities	-	-	-	-	-
Food service operations	-	-	-	-	-
Intergovernmental pass through	-	-	-	-	-
Total expenditures	<u>1,078,917</u>	<u>16</u>	<u>126,272</u>	<u>20,316</u>	<u>16,359</u>
Excess of revenues over (under) expenditures.	<u>(10,452)</u>	<u>(16)</u>	<u>12,710</u>	<u>32,496</u>	<u>(4,461)</u>
Other financing sources:					
Transfers in	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(10,452)	(16)	12,710	32,496	(4,461)
Fund balances (deficit)					
at beginning of year	(5,157)	16	7,342	(25,503)	947
Fund balances (deficit) at end of year	<u>\$ (15,609)</u>	<u>\$ -</u>	<u>\$ 20,052</u>	<u>\$ 6,993</u>	<u>\$ (3,514)</u>

EHA Preschool Grant	Classroom Reduction	Other Federal Grants	Food Service	Uniform School Supplies	Other Special Revenue	Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 3,528	\$ -	\$ -	\$ 6,383
-	-	-	1,465,356	-	-	1,473,077
-	-	-	-	100,696	-	511,025
-	-	-	-	147,385	-	206,226
-	-	-	-	3,604	7,478	130,455
-	-	-	1,253	-	-	1,600,825
31,080	76,488	15,349	129,433	-	-	1,524,507
<u>31,080</u>	<u>76,488</u>	<u>15,349</u>	<u>1,599,570</u>	<u>251,685</u>	<u>7,478</u>	<u>5,452,498</u>
-	-	573	-	251,400	500	346,643
-	-	-	-	-	1,213	473,399
-	-	-	-	-	2,279	43,250
5,107	-	8,847	-	41,188	732	664,664
23,180	66,024	5,942	-	-	-	527,490
-	-	-	-	-	177	63,541
-	-	3,000	-	-	-	13,000
-	-	-	-	-	-	32,693
-	1,250	208	-	-	500	24,675
-	-	-	-	-	-	365,104
-	-	-	1,557,715	-	-	1,557,715
-	-	-	-	-	-	1,496,878
<u>28,287</u>	<u>67,274</u>	<u>18,570</u>	<u>1,557,715</u>	<u>292,588</u>	<u>5,401</u>	<u>5,609,052</u>
<u>2,793</u>	<u>9,214</u>	<u>(3,221)</u>	<u>41,855</u>	<u>(40,903)</u>	<u>2,077</u>	<u>(156,554)</u>
-	-	-	-	-	-	14,750
-	-	-	-	-	-	14,750
2,793	9,214	(3,221)	41,855	(40,903)	2,077	(141,804)
(5,767)	(3,986)	2,298	138,884	127,554	10,594	856,933
<u>\$ (2,974)</u>	<u>\$ 5,228</u>	<u>\$ (923)</u>	<u>\$ 180,739</u>	<u>\$ 86,651</u>	<u>\$ 12,671</u>	<u>\$ 715,129</u>

**HUDSON 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>Public School Support</u>				
Total Revenues and Other Financing Sources	\$ 350,000	\$ 263,269	\$ 263,269	\$ -
Total Expenditures and Other Financing Uses	<u>349,865</u>	<u>375,785</u>	<u>278,867</u>	<u>96,918</u>
Net Change in Fund Balance	135	(112,516)	(15,598)	96,918
Fund Balance, July 1	147,846	147,846	147,846	-
Prior Year Encumbrances Appropriated	<u>31,715</u>	<u>31,715</u>	<u>31,715</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 179,696</u>	<u>\$ 67,045</u>	<u>\$ 163,963</u>	<u>\$ 96,918</u>
 <u>Other Grants</u>				
Total Revenues and Other Financing Sources	\$ -	\$ -	\$ -	\$ -
Total Expenditures and Other Financing Uses	<u>11,000</u>	<u>36,482</u>	<u>18,530</u>	<u>17,952</u>
Net Change in Fund Balance	(11,000)	(36,482)	(18,530)	17,952
Fund Balance, July 1	38,782	38,782	38,782	-
Prior Year Encumbrances Appropriated	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 28,782</u>	<u>\$ 3,300</u>	<u>\$ 21,252</u>	<u>\$ 17,952</u>
 <u>Athletic and Music</u>				
Total Revenues and Other Financing Sources	\$ 580,000	\$ 347,593	\$ 350,123	\$ 2,530
Total Expenditures and Other Financing Uses	<u>597,736</u>	<u>514,351</u>	<u>417,284</u>	<u>97,067</u>
Net Change in Fund Balance	(17,736)	(166,758)	(67,161)	99,597
Fund Balance, July 1	198,213	198,213	198,213	-
Prior Year Encumbrances Appropriated	<u>18,447</u>	<u>18,447</u>	<u>18,447</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 198,924</u>	<u>\$ 49,902</u>	<u>\$ 149,499</u>	<u>\$ 99,597</u>

**HUDSON 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</u>				
Total Revenues and Other Financing Sources	\$ 1,000,000	\$ 1,428,916	\$ 1,428,916	\$ -
Total Expenditures and Other Financing Uses	<u>33,261</u>	<u>1,603,472</u>	<u>1,580,570</u>	<u>22,902</u>
Net Change in Fund Balance	966,739	(174,556)	(151,654)	22,902
Fund Balance, July 1	141,637	141,637	141,637	-
Prior Year Encumbrances Appropriated	<u>33,261</u>	<u>33,261</u>	<u>33,261</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,141,637</u>	<u>\$ 342</u>	<u>\$ 23,244</u>	<u>\$ 22,902</u>
<u>Teacher Development</u>				
Total Revenues and Other Financing Sources	\$ -	\$ -	\$ -	\$ -
Total Expenditures and Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1	<u>5,463</u>	<u>5,463</u>	<u>5,463</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 5,463</u>	<u>\$ 5,463</u>	<u>\$ 5,463</u>	<u>\$ -</u>
<u>Management Information System</u>				
Total Revenues and Other Financing Sources	\$ 20,000	\$ 17,386	\$ 17,386	\$ -
Total Expenditures and Other Financing Uses	<u>20,048</u>	<u>40,048</u>	<u>20,634</u>	<u>19,414</u>
Net Change in Fund Balance	(48)	(22,662)	(3,248)	19,414
Fund Balance, July 1	66,222	66,222	66,222	-
Prior Year Encumbrances Appropriated	<u>48</u>	<u>48</u>	<u>48</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 66,222</u>	<u>\$ 43,608</u>	<u>\$ 63,022</u>	<u>\$ 19,414</u>

**HUDSON 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>Entry Year</u>				
Total Revenues and Other Financing Sources	\$ -	\$ 9,900	\$ 9,900	\$ -
Total Expenditures and Other Financing Uses	-	9,900	9,900	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Data Communications</u>				
Total Revenues and Other Financing Sources	\$ 18,000	\$ 18,000	\$ 18,000	\$ -
Total Expenditures and Other Financing Uses	18,000	36,000	36,000	-
Net Change in Fund Balance	-	(18,000)	(18,000)	-
Fund Balance, July 1	18,000	18,000	18,000	-
Fund Balance, June 30	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>SchoolNet Professional Development</u>				
Total Revenues and Other Financing Sources	\$ 5,000	\$ 4,140	\$ 4,140	\$ -
Total Expenditures and Other Financing Uses	-	5,829	5,829	-
Net Change in Fund Balance	5,000	(1,689)	(1,689)	-
Fund Balance, July 1	1,689	1,689	1,689	-
Fund Balance, June 30	<u>\$ 6,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HUDSON 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</u>				
Total Revenues and Other Financing Sources	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Total Expenditures and Other Financing Uses	-	8,000	8,000	-
Net Change in Fund Balance	8,000	-	-	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Summer Intervention</u>				
Total Revenues and Other Financing Sources	\$ -	\$ 108,371	\$ 118,360	\$ 9,989
Total Expenditures and Other Financing Uses	-	113,768	108,474	5,294
Net Change in Fund Balance	-	(5,397)	9,886	15,283
Fund Balance, July 1	5,397	5,397	5,397	-
Fund Balance, June 30	<u>\$ 5,397</u>	<u>\$ -</u>	<u>\$ 15,283</u>	<u>\$ 15,283</u>
<u>Other State Grants</u>				
Total Revenues and Other Financing Sources	\$ 10,000	\$ 146,313	\$ 126,613	\$ (19,700)
Total Expenditures and Other Financing Uses	19,700	154,511	134,808	19,703
Net Change in Fund Balance	(9,700)	(8,198)	(8,195)	3
Fund Balance, July 1	13,113	13,113	13,113	-
Fund Balance, June 30	<u>\$ 3,413</u>	<u>\$ 4,915</u>	<u>\$ 4,918</u>	<u>\$ 3</u>

**HUDSON 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>Title VI-B</u>				
Total Revenues and Other Financing Sources	\$ 715,000	\$ 1,068,465	\$ 1,068,465	\$ -
Total Expenditures and Other Financing Uses	11,125	1,148,707	1,088,983	59,724
Net Change in Fund Balance	703,875	(80,242)	(20,518)	59,724
Fund Balance, July 1	78,103	78,103	78,103	-
Prior Year Encumbrances Appropriated	11,125	11,125	11,125	-
Fund Balance, June 30	<u>\$ 793,103</u>	<u>\$ 8,986</u>	<u>\$ 68,710</u>	<u>\$ 59,724</u>
<u>Title III</u>				
Total Revenues and Other Financing Sources	\$ -	\$ 16	\$ 5,250	\$ 5,234
Total Expenditures and Other Financing Uses	-	16	5,250	(5,234)
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Title I</u>				
Total Revenues and Other Financing Sources	\$ 100,000	\$ 145,855	\$ 145,855	\$ -
Total Expenditures and Other Financing Uses	-	168,322	134,909	33,413
Net Change in Fund Balance	100,000	(22,467)	10,946	33,413
Fund Balance, July 1	26,105	26,105	26,105	-
Fund Balance, June 30	<u>\$ 126,105</u>	<u>\$ 3,638</u>	<u>\$ 37,051</u>	<u>\$ 33,413</u>

**HUDSON 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 VI</u>				
Total Revenues and Other Financing Sources	\$ 75,000	\$ 65,065	\$ 109,347	\$ 44,282
Total Expenditures and Other Financing Uses	<u>207</u>	<u>65,272</u>	<u>73,051</u>	<u>(7,779)</u>
Net Change in Fund Balance	74,793	(207)	36,296	36,503
Fund Balance, July 1	-	-	-	-
Prior Year Encumbrances Appropriated	<u>207</u>	<u>207</u>	<u>207</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 36,503</u>	<u>\$ 36,503</u>
 <u>Drug-Free Grant</u>				
Total Revenues and Other Financing Sources	\$ 20,000	\$ 21,011	\$ 24,358	\$ 3,347
Total Expenditures and Other Financing Uses	<u>1,300</u>	<u>22,926</u>	<u>20,692</u>	<u>2,234</u>
Net Change in Fund Balance	18,700	(1,915)	3,666	5,581
Fund Balance, July 1	615	615	615	-
Prior Year Encumbrances Appropriated	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 20,615</u>	<u>\$ -</u>	<u>\$ 5,581</u>	<u>\$ 5,581</u>
 <u>EHA Preschool Grant</u>				
Total Revenues and Other Financing Sources	\$ 30,000	\$ 31,835	\$ 41,834	\$ 9,999
Total Expenditures and Other Financing Uses	<u>-</u>	<u>31,835</u>	<u>38,891</u>	<u>(7,056)</u>
Net Change in Fund Balance	30,000	-	2,943	2,943
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 2,943</u>	<u>\$ 2,943</u>

**HUDSON 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>Classroom Reduction</u>				
Total Revenues and Other Financing Sources	\$ -	\$ 74,909	\$ 125,033	\$ 50,124
Total Expenditures and Other Financing Uses	-	97,994	119,797	(21,803)
Net Change in Fund Balance	-	(23,085)	5,236	28,321
Fund Balance, July 1	-	-	-	-
Prior Year Encumbrances Appropriated	23,085	23,085	23,085	-
Fund Balance, June 30	<u>\$ 23,085</u>	<u>\$ -</u>	<u>\$ 28,321</u>	<u>\$ 28,321</u>
<u>Other Federal Grants</u>				
Total Revenues and Other Financing Sources	\$ 20,000	\$ 74,909	\$ 19,978	\$ (54,931)
Total Expenditures and Other Financing Uses	-	22,275	18,570	3,705
Net Change in Fund Balance	20,000	52,634	1,408	(51,226)
Fund Balance, July 1	2,298	2,298	2,298	-
Fund Balance, June 30	<u>\$ 22,298</u>	<u>\$ 54,932</u>	<u>\$ 3,706</u>	<u>\$ (51,226)</u>
<u>Food Service</u>				
Total Revenues and Other Financing Sources	\$ 1,526,000	\$ 1,545,323	\$ 1,545,323	\$ -
Total Expenditures and Other Financing Uses	1,672,898	1,672,898	1,506,117	166,781
Net Change in Fund Balance	(146,898)	(127,575)	39,206	166,781
Fund Balance, July 1	242,155	242,155	242,155	-
Prior Year Encumbrances Appropriated	21,898	21,898	21,898	-
Fund Balance, June 30	<u>\$ 117,155</u>	<u>\$ 136,478</u>	<u>\$ 303,259</u>	<u>\$ 166,781</u>

**HUDSON 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>Uniform School Supplies</u>				
Total Revenues and Other Financing Sources	\$ 320,000	\$ 253,146	\$ 255,494	\$ 2,348
Total Expenditures and Other Financing Uses	<u>292,162</u>	<u>282,594</u>	<u>263,537</u>	<u>19,057</u>
Net Change in Fund Balance	27,838	(29,448)	(8,043)	21,405
Fund Balance, July 1	78,849	78,849	78,849	-
Prior Year Encumbrances Appropriated	<u>10,154</u>	<u>10,154</u>	<u>10,154</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 116,841</u>	<u>\$ 59,555</u>	<u>\$ 80,960</u>	<u>\$ 21,405</u>
<u>Other Special Revenue</u>				
Total Revenues and Other Financing Sources	\$ 6,753	\$ 7,478	\$ 7,478	\$ -
Total Expenditures and Other Financing Uses	<u>8,497</u>	<u>10,389</u>	<u>7,345</u>	<u>3,044</u>
Net Change in Fund Balance	(1,744)	(2,911)	133	3,044
Fund Balance, July 1	<u>10,594</u>	<u>10,594</u>	<u>10,594</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 8,850</u>	<u>\$ 7,683</u>	<u>\$ 10,727</u>	<u>\$ 3,044</u>
<u>Debt Service</u>				
Total Revenues and Other Financing Sources	\$ 2,767,106	\$ 3,400,449	\$ 3,400,449	\$ -
Total Expenditures and Other Financing Uses	<u>2,669,914</u>	<u>3,397,010</u>	<u>3,394,693</u>	<u>2,317</u>
Net Change in Fund Balance	97,192	3,439	5,756	2,317
Fund Balance, July 1	<u>1,234,933</u>	<u>1,234,933</u>	<u>1,234,933</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,332,125</u>	<u>\$ 1,238,372</u>	<u>\$ 1,240,689</u>	<u>\$ 2,317</u>

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUND
JUNE 30, 2005

		<u>Permanent Improvement</u>
Assets:		
Equity in pooled cash and cash equivalents	\$	617,260
Receivables:		
Taxes		<u>1,056,976</u>
Total assets	\$	<u><u>1,674,236</u></u>
Liabilities:		
Accounts payable	\$	12,143
Deferred revenue		<u>997,109</u>
Total liabilities		<u>1,009,252</u>
Fund Balances:		
Reserved for encumbrances		148,940
Reserved for property tax unavailable for appropriation		59,867
Unreserved, undesignated, reported in:		
Capital projects funds.		<u>456,177</u>
Total fund balance.		<u>664,984</u>
Total liabilities and fund balances	\$	<u><u>1,674,236</u></u>

**HUDSON 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	SchoolNet	Total Nonmajor Capital Projects Funds
Revenues:			
From local sources:			
Taxes	\$ 1,082,699	\$ -	\$ 1,082,699
Intergovernmental - State	126,267	50,505	176,772
Total revenue	1,208,966	50,505	1,259,471
Expenditures:			
Current:			
Instruction:			
Regular	7,475	50,505	57,980
Other	16,775	-	16,775
Support Services:			
Fiscal	15,507	-	15,507
Pupil transportation	489,840	-	489,840
Facilities acquisition and construction	563,000	-	563,000
Total expenditures	1,092,597	50,505	1,143,102
Excess of revenues over (under) expenditures.	116,369	-	116,369
Other financing uses:			
Transfers (out)	(208,239)	-	(208,239)
Total other financing uses	(208,239)	-	(208,239)
Net change in fund balances.	(91,870)	-	(91,870)
Fund balances at beginning of year	756,854	-	756,854
Fund balances at end of year	\$ 664,984	\$ -	\$ 664,984

**HUDSON 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>Building</u>				
Total Revenues and Other Financing Sources	\$ -	\$ 18,061,319	\$ 18,061,319	\$ -
Total Expenditures and Other Financing Uses	-	<u>1,223,597</u>	<u>489,090</u>	<u>734,507</u>
Net Change in Fund Balance	-	16,837,722	17,572,229	734,507
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 16,837,722</u>	<u>\$ 17,572,229</u>	<u>\$ 734,507</u>
<u>Permanent Improvement</u>				
Total Revenues and Other Financing Sources	\$ 1,157,181	\$ 1,275,725	\$ 1,275,725	\$ -
Total Expenditures and Other Financing Uses	<u>1,307,328</u>	<u>1,599,903</u>	<u>1,556,779</u>	<u>43,124</u>
Net Change in Fund Balance	(150,147)	(324,178)	(281,054)	43,124
Fund Balance, July 1	587,083	587,083	587,083	-
Prior Year Encumbrances Appropriated	<u>150,148</u>	<u>150,148</u>	<u>150,148</u>	-
Fund Balance, June 30	<u>\$ 587,084</u>	<u>\$ 413,053</u>	<u>\$ 456,177</u>	<u>\$ 43,124</u>
<u>SchoolNet</u>				
Total Revenues and Other Financing Sources	\$ -	\$ 50,505	\$ 50,505	\$ -
Total Expenditures and Other Financing Uses	-	<u>50,505</u>	<u>50,505</u>	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HUDSON 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>Community Education</u>				
Total Revenues and Other Financing Sources	\$ 1,217,708	\$ 1,114,128	\$ 1,114,128	\$ -
Total Expenditures and Other Financing Uses	<u>1,388,783</u>	<u>1,253,159</u>	<u>1,241,433</u>	<u>11,726</u>
Net Change in Fund Balance	(171,075)	(139,031)	(127,305)	11,726
Fund Balance, July 1	127,297	127,297	127,297	-
Prior Year Encumbrances Appropriated	<u>131,075</u>	<u>131,075</u>	<u>131,075</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 87,297</u>	<u>\$ 119,341</u>	<u>\$ 131,067</u>	<u>\$ 11,726</u>
<u>Self-Insurance</u>				
Total Revenues and Other Financing Sources	\$ 5,960,645	\$ 6,095,830	\$ 6,095,830	\$ -
Total Expenditures and Other Financing Uses	<u>6,524,165</u>	<u>6,584,340</u>	<u>5,889,213</u>	<u>695,127</u>
Net Change in Fund Balance	(563,520)	(488,510)	206,617	695,127
Fund Balance, July 1	<u>563,520</u>	<u>563,520</u>	<u>563,520</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 75,010</u>	<u>\$ 770,137</u>	<u>\$ 695,127</u>
<u>Scholarship</u>				
Total Revenues and Other Financing Sources	\$ 51,300	\$ 67,300	\$ 67,300	\$ -
Total Expenditures and Other Financing Uses	<u>51,300</u>	<u>69,800</u>	<u>67,300</u>	<u>2,500</u>
Net Change in Fund Balance	-	(2,500)	-	2,500
Fund Balance, July 1	<u>2,985</u>	<u>2,985</u>	<u>2,985</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 2,985</u>	<u>\$ 485</u>	<u>\$ 2,985</u>	<u>\$ 2,500</u>

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

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

Student Activities

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 25,975	\$ 56,852	\$ 69,303	\$ 13,524
Total assets.	<u>\$ 25,975</u>	<u>\$ 56,852</u>	<u>\$ 69,303</u>	<u>\$ 13,524</u>
LIABILITIES:				
Due to students.	\$ 25,975	\$ 56,577	\$ 69,303	\$ 13,249
Accounts payable.	-	275	-	275
Total liabilities.	<u>\$ 25,975</u>	<u>\$ 56,852</u>	<u>\$ 69,303</u>	<u>\$ 13,524</u>

Six District Educational Compact

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 80,900	\$ 673,184	\$ 620,353	\$ 133,731
Accounts receivable	907	-	907	-
Intergovernmental receivable.	59,296	-	59,296	-
Total assets.	<u>\$ 141,103</u>	<u>\$ 673,184</u>	<u>\$ 680,556</u>	<u>\$ 133,731</u>
LIABILITIES:				
Accounts payable.	\$ 43,859	\$ 66,398	\$ 43,859	\$ 66,398
Accrued wages.	-	1,524	-	1,524
Intergovernmental payable	66,637	3,120	66,637	3,120
Pension obligation payable.	3,042	4,952	3,042	4,952
Undistributed Monies	27,565	597,190	567,018	57,737
Total liabilities.	<u>\$ 141,103</u>	<u>\$ 673,184</u>	<u>\$ 680,556</u>	<u>\$ 133,731</u>

Total

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 106,875	\$ 730,036	\$ 689,656	\$ 147,255
Accounts receivable	907	-	907	-
Intergovernmental receivable.	59,296	-	59,296	-
Total assets.	<u>\$ 167,078</u>	<u>\$ 730,036</u>	<u>\$ 749,859</u>	<u>\$ 147,255</u>
LIABILITIES:				
Due to students.	\$ 25,975	\$ 56,577	\$ 69,303	\$ 13,249
Accounts payable.	43,859	66,673	43,859	66,673
Accrued wages.	-	1,524	-	1,524
Intergovernmental payable	66,637	3,120	66,637	3,120
Pension obligation payable.	3,042	4,952	3,042	4,952
Undistributed Monies	27,565	597,190	567,018	57,737
Total liabilities.	<u>\$ 167,078</u>	<u>\$ 730,036</u>	<u>\$ 749,859</u>	<u>\$ 147,255</u>

STATISTICAL SECTION

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

GENERAL FUND REVENUES BY SOURCE

LAST TEN FISCAL YEARS

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Revenues:				
Taxes	\$ 21,614,202	\$ 23,257,271	\$ 24,113,198	\$ 25,655,233
Tuition and Fees	1,162	-	5,632	27,772
Earnings on Investments	504,660	617,655	770,579	690,662
Intergovernmental	8,201,494	8,065,847	8,390,748	9,430,686
Miscellaneous Receipts	35,439	41,061	243,052	75,539
Total Revenues	<u>\$ 30,356,957</u>	<u>\$ 31,981,834</u>	<u>\$ 33,523,209</u>	<u>\$ 35,879,892</u>

Source: School District Financial Records

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 27,735,966	\$ 29,031,646	\$ 29,337,617	\$ 31,174,122	\$ 29,945,397	\$ 35,695,772
36,414	64,719	87,709	89,584	109,919	172,358
748,751	799,629	422,655	322,266	136,341	459,068
10,932,739	11,676,930	15,090,104	15,381,039	16,219,244	16,735,604
58,004	91,171	89,057	169,025	76,776	112,083
<u>\$ 39,511,874</u>	<u>\$ 41,664,095</u>	<u>\$ 45,027,142</u>	<u>\$ 47,136,036</u>	<u>\$ 46,487,677</u>	<u>\$ 53,174,885</u>

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

GENERAL FUND EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS

	1996	1997	1998	1999
Current:				
Instruction: (1)				
Regular	\$ 17,704,733	\$ 15,179,369	\$ 16,421,033	\$ 18,388,031
Special	-	2,240,310	2,147,271	2,429,968
Vocational	-	276,768	274,247	268,529
Other	-	674,792	250,554	319,649
Support services:				
Pupil	1,612,974	1,742,604	1,969,795	2,079,950
Instructional staff	1,504,269	1,609,138	1,687,631	2,111,379
Board of Education	19,629	53,721	453,348	47,648
Administration	1,901,711	1,981,103	2,500,297	2,770,697
Fiscal	486,556	742,788	788,868	879,546
Business	201,579	1,244,063	957,208	256,249
Operations and maintenance	3,000,095	2,843,994	3,108,362	3,414,447
Pupil transportation	1,424,791	1,703,668	2,393,025	2,446,861
Central	87,216	102,794	115,640	195,795
Operation of non-instructional services	-	-	-	-
Extracurricular activities	373,693	389,151	416,895	484,052
Facilities acquisition and construction	-	-	-	58,876
Total expenditures	\$ 28,317,246	\$ 30,784,263	\$ 33,484,174	\$ 36,151,677

Source: School District Financial Records

(1) A breakdown of instruction was not available prior to fiscal year 1997.

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 19,521,730	\$ 20,876,384	\$ 21,865,961	\$ 22,874,652	\$ 23,614,700	\$ 24,047,010
2,791,459	3,149,716	3,582,036	3,972,436	3,782,147	4,024,127
245,733	271,994	253,757	260,876	291,430	270,846
469,249	534,477	508,892	351,205	445,587	328,780
2,147,214	2,465,099	2,673,118	2,705,562	2,776,327	2,741,992
2,303,815	2,645,803	3,058,581	3,318,632	3,252,090	3,324,008
51,617	37,970	41,542	41,612	43,568	39,319
3,047,810	3,316,353	3,369,988	3,602,302	3,984,184	3,618,121
891,279	964,346	990,308	945,826	1,061,615	1,031,487
345,188	299,627	316,488	372,889	404,294	370,855
3,808,437	4,098,821	4,087,462	4,404,810	4,295,746	4,552,039
2,298,955	2,638,438	2,678,118	2,644,567	2,809,376	2,812,402
266,482	340,186	353,803	307,566	352,930	309,858
-	-	-	-	500	-
519,485	548,974	658,650	688,869	743,291	758,051
127,370	-	-	-	-	-
<u>\$ 38,835,823</u>	<u>\$ 42,188,188</u>	<u>\$ 44,438,704</u>	<u>\$ 46,491,804</u>	<u>\$ 47,857,785</u>	<u>\$ 48,228,895</u>

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

PROPERTY TAX LEVIES AND COLLECTIONS - REAL AND PUBLIC UTILITY TAXES (1)

LAST TEN CALENDAR YEARS

<u>Year (1)</u>	<u>Current Levy</u>	<u>Current Collection</u>	<u>Percent of Current Levy Collected</u>	<u>Delinquent Collection</u>	<u>Total Collection</u>	<u>Total Collection as a Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes (2)</u>	<u>Ratio of Delinquent Taxes to Current Levy</u>
2005	\$ 43,773,705	\$ 42,303,325	96.6%	\$ 1,287,007	\$ 43,590,332	99.6%	\$ 2,028,290	4.6%
2004	41,689,243	40,481,651	97.1%	1,228,060	41,709,711	100.0%	1,940,947	4.7%
2003	36,521,096	35,139,224	96.2%	1,720,664	36,859,888	100.9%	1,779,068	4.9%
2002	35,827,683	34,867,895	97.3%	1,023,222	35,891,117	100.2%	1,604,695	4.5%
2001	36,284,070	35,091,681	96.7%	1,338,767	36,430,448	100.4%	1,304,182	3.6%
2000	35,466,206	34,316,886	96.8%	969,318	35,286,204	99.5%	1,495,174	4.2%
1999	34,699,903	33,583,292	96.8%	1,025,807	34,609,099	99.7%	1,506,282	4.3%
1998	29,689,039	28,533,435	96.1%	721,169	29,254,604	98.5%	1,632,424	5.5%
1997	29,561,314	28,808,054	97.5%	686,001	29,494,055	99.8%	1,163,164	3.9%
1996	29,108,656	28,517,648	98.0%	705,577	29,223,225	100.4%	1,030,397	3.5%

Source: Summit County Fiscal Officer - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Fiscal Officer.

(1) Represents the collection year.

(2) Outstanding delinquent taxes represent the cumulative total as reported by the Summit County Fiscal Officer.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN CALENDAR YEARS

Year	Agricultural and Residential Real Estate	Other Real Estate	Public Utility Personal	Tangible Personal	Total Assessed Value (1)	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2005	\$ 696,682,320	\$ 110,060,660	\$ 15,998,320	\$ 50,398,882	\$ 873,140,182	\$2,494,686,234	35%
2004	688,559,100	108,628,920	16,218,330	51,669,668	865,076,018	2,471,645,766	35%
2003	688,996,930	106,746,320	17,332,170	61,203,761	874,279,181	2,497,940,517	35%
2002	619,744,350	95,420,340	16,195,670	62,661,329	794,021,689	2,268,633,397	35%
2001	609,093,050	88,225,110	18,597,560	59,073,383	774,989,103	2,214,254,580	35%
2000	595,912,690	88,834,060	20,796,730	53,202,433	758,745,913	2,192,861,665	35%
1999	565,688,580	83,105,800	21,325,230	54,397,655	724,517,265	2,092,614,079	35%
1998	553,056,210	84,450,720	20,935,380	55,260,291	713,702,601	2,063,424,915	35%
1997	539,794,760	78,755,000	22,172,180	55,260,291	695,982,231	2,010,498,373	35%
1996	453,508,940	72,163,940	24,066,610	53,207,816	602,947,306	1,738,820,388	35%

Source: Summit County Fiscal Officer - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Fiscal Officer.

(1) This amount is calculated based on the following percentages:

Real Estate is assessed at 35 percent of actual value.

Public utility personal is assessed at 88 percent of actual value.

Tangible personal property was assessed at 25 percent of actual value from 1995 to 2002.

Beginning in 2003 the assessment percentage is 23% and will be further reduced to 0% by 2013.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 ASSESSED VALUATION)**

LAST TEN CALENDAR YEARS

Year	Government	School Levy	County Levy	City/ Village Township	Valley Fire District	Total Levy	Debt Service Included in Total Levy			
							School	County	City	Total
2005	Boston Township	\$ 80.73	\$ 13.07	\$ 8.48	\$ 8.80	\$ 111.08	\$ 2.70	\$ 0.67	\$ -	\$ 3.37
	Boston Heights Village	80.73	13.07	6.85	-	100.65	2.70	0.67	-	3.37
	Hudson City	80.73	13.07	6.94	-	100.74	2.70	0.67	2.37	5.74
	Cuyahoga Falls City	80.73	13.07	11.00	-	104.80	2.70	0.67	-	3.37
2004	Boston Township	80.98	13.07	8.48	8.80	111.33	2.95	0.69	-	3.64
	Boston Heights Village	80.98	13.07	6.85	-	100.90	2.95	0.69	-	3.64
	Hudson City	80.98	13.07	9.67	-	103.72	2.95	0.69	-	3.64
	Cuyahoga Falls City	80.98	13.07	11.00	-	105.05	2.95	0.69	-	3.64
2003	Boston Township	75.15	13.07	8.48	8.80	105.50	2.62	0.52	-	3.14
	Boston Heights Village	75.15	13.07	6.85	-	95.07	2.62	0.52	-	3.14
	Hudson City	75.15	13.07	9.29	-	97.51	2.62	0.52	1.99	5.13
	Cuyahoga Falls City	75.15	13.07	11.00	-	99.22	2.62	0.52	-	3.14
2002	Boston Township	75.63	13.07	7.48	6.50	102.68	3.10	0.36	-	3.46
	Boston Heights Village	75.63	13.07	7.35	-	96.05	3.10	0.36	-	3.46
	Hudson City	75.63	13.07	-	-	88.70	3.10	0.36	2.27	5.73
	Cuyahoga Falls City	75.63	13.07	11.00	-	99.70	3.10	0.36	-	3.46
2001	Boston Township	75.73	13.07	8.48	6.50	103.78	3.20	0.36	-	3.56
	Boston Heights Village	75.73	13.07	7.35	-	96.15	3.20	0.36	-	3.56
	Hudson City	75.73	13.07	8.94	-	97.74	3.20	0.36	2.27	5.83
	Cuyahoga Falls City	75.73	13.07	11.00	-	99.80	3.20	0.36	-	3.56
2000	Boston Township	76.13	12.27	8.48	6.50	103.38	3.60	0.36	-	3.96
	Boston Heights Village	76.13	12.27	7.35	-	95.75	3.60	0.36	-	3.96
	Hudson City	76.13	12.27	9.15	-	97.55	3.60	0.36	2.40	6.36
	Cuyahoga Falls City	76.13	12.27	11.00	-	99.40	3.60	0.36	-	3.96
1999	Boston Township	76.13	12.27	8.48	6.50	103.38	3.40	0.45	-	3.85
	Boston Heights Village	76.13	12.27	8.10	-	96.50	3.40	0.45	-	3.85
	Hudson City	76.13	12.27	8.39	-	96.79	3.40	0.45	1.72	5.57
	Cuyahoga Falls City	76.13	12.27	11.00	-	99.40	3.40	0.45	-	3.85
1998	Boston Township	70.13	11.65	8.48	6.50	96.76	2.90	0.45	-	3.35
	Boston Heights Village	70.13	11.65	8.10	-	89.88	2.90	0.45	-	3.35
	Hudson City	70.13	11.65	7.82	-	89.60	2.90	0.45	1.15	4.50
	Cuyahoga Falls City	70.13	11.65	12.00	-	93.78	2.90	0.45	-	3.35
1997	Boston Township	70.73	11.39	8.48	8.00	98.60	3.50	0.49	-	3.99
	Boston Heights Village	70.73	11.39	8.10	-	90.22	3.50	0.49	-	3.99
	Hudson City	70.73	11.39	7.03	-	89.15	3.50	0.49	0.36	4.35
	Cuyahoga Falls City	70.73	11.39	12.00	-	94.12	3.50	0.49	-	3.99
1996	Boston Township	72.23	13.99	1.48	5.50	93.20	5.00	0.60	-	5.60
	Boston Heights Village	72.23	13.99	8.10	-	94.32	5.00	0.60	-	5.60
	Hudson City	72.23	13.99	7.11	-	93.33	5.00	0.60	0.44	6.04
	Cuyahoga Falls City	72.23	13.99	12.00	-	98.22	5.00	0.60	-	5.60

Source: Summit County Fiscal Officer - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Fiscal Officer.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMPUTATION OF LEGAL DEBT MARGIN

JUNE 30, 2005

Assessed Valuation (2005)	<u>\$ 873,140,182</u>
Bonded Debt Limit - 9% of Assessed Value (1)	<u>\$ 78,582,616</u>
Outstanding Debt:	
Certificates of Participation Bonded Debt	20,810,000
General Obligation Bonded Debt	<u>9,859,699</u>
Total Outstanding Debt	<u>30,669,699</u>
Exemptions	
Energy Conservation Bonded Debt	<u>577,221</u>
Total Exemptions	<u>577,221</u>
Less: Amount available in Debt Service fund	<u>3,167,920</u>
Amount of Debt applicable to Debt Limit	<u>26,924,558</u>
<i>Voted Debt Margin</i> (Debt Limitation Minus Amount of Debt applicable to Debt Limit)	<u>\$ 51,658,058</u>
Bonded Debt Limit - .10% of Assessed Value (1)	\$ 873,140
Amount of Debt applicable	<u>-</u>
<i>Unvoted Debt Margin</i>	<u>\$ 873,140</u>

Source: Summit County Fiscal Officer and School District Financial Records.

(1) Ohio Bond Law sets a limit of 9% of assessed value for voted debt and 1/10 of 1% for unvoted debt.
All School District debt subject to the limitation is voted.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Gross Bonded Debt (1)</u>	<u>Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Assessed Value</u>	<u>Population (2)</u>	<u>Ratio of Net Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2005	\$ 30,669,699	\$ 3,167,920	\$ 27,501,779	\$ 873,140,182	24,089	3.15%	1,142
2004	10,607,457	1,278,746	9,328,711	865,076,018	22,439	1.08%	416
2003	11,250,929	1,274,068	9,976,861	874,279,181	22,765	1.14%	438
2002	13,372,888	1,226,759	12,146,129	794,021,689	22,593	1.53%	538
2001	15,392,088	1,200,720	14,191,368	774,989,103	22,439	1.83%	632
2000	17,353,914	1,198,262	16,155,652	758,745,913	22,139	2.13%	730
1999	19,288,729	1,098,259	18,190,470	724,517,265	21,839	2.51%	833
1998	21,136,880	1,354,025	19,782,855	713,702,601	21,247	2.77%	931
1997	22,771,880	1,627,737	21,144,143	695,892,231	20,873	3.04%	1,013
1996	22,674,880	1,404,045	21,270,835	602,947,306	19,535	3.53%	1,089

Source: Summit County Fiscal Officer and School District Financial Records

(1) No debt is applicable to enterprise funds.

(2) Estimated by City of Hudson.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL FUND EXPENDITURES

LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest (1)	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to General Fund Expenditures (Percentages)
2005	\$ 2,373,707	\$ 968,779	\$ 3,342,486	\$ 48,228,895	6.93%
2004	643,436	1,804,704	2,448,140	47,857,785	5.12%
2003	2,121,959	506,560	2,628,519	46,491,804	5.65%
2002	2,069,200	612,586	2,681,786	44,438,704	6.03%
2001	1,961,826	706,068	2,667,894	42,188,188	6.32%
2000	1,934,815	798,199	2,733,014	38,835,823	7.04%
1999	1,848,151	885,790	2,733,941	36,151,677	7.56%
1998	1,635,000	878,693	2,513,693	33,484,174	7.51%
1997	1,530,000	944,880	2,474,880	30,784,263	8.04%
1996	1,375,000	1,001,220	2,376,220	28,317,246	8.39%

(1) Includes payment of accreted interest on capital appreciation bonds.

Source: School District Financial Records.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COMPUTATION OF DIRECT AND OVERLAPPING
GENERAL OBLIGATION BONDED DEBT

DECEMBER 31, 2004

Jurisdiction	General Obligation Debt Outstanding	Percentage Applicable to School District (1)	Amount Applicable to School District
Direct:			
Hudson City School District	\$ 30,669,699	100.00%	\$ 30,669,699
Total Direct	<u>\$ 30,669,699</u>		<u>30,669,699</u>
Overlapping:			
City of Hudson	62,326,686	99.52%	62,027,518
Boston Heights Village	93,825	56.65%	53,152
Summit County	143,908,733	7.43%	10,692,419
Metro Transit	1,680,000	7.28%	122,304
City of Cuyahoga Falls	<u>63,649,542</u>	0.80%	<u>509,196</u>
Total Overlapping	<u>271,658,786</u>		<u>73,404,589</u>
Grand total direct and overlapping	<u>\$ 302,328,485</u>		<u>\$ 104,074,288</u>

Source: Summit County Fiscal Officer and City of Hudson Finance Department - Data is presented on a calendar year basis (including School District) because that is the manner in which the information is maintained by both the County Fiscal Officer and the City Finance Department.

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the School District by the total assessed valuation of the subdivision. The valuations used were for the 2003 collection year.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

DEMOGRAPHIC STATISTICS

LAST TEN CALENDAR YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Building Permits (1)(2)</u>	<u>Average Family Income</u>	<u>State Rank</u>	<u>Median Family Income</u>	<u>State Rank</u>
2004	24,089	7	*	*	*	*
2003	22,439	21	\$ 109,332	8	\$ 60,800	3
2002	22,765	43	105,834	9	57,760	5
2001	22,593	35	103,305	7	58,139	2
2000	22,439	72	103,696	9	59,796	1
1999	22,139	100	99,532	10	60,872	2
1998	21,839	99	95,897	10	58,191	2
1997	21,247	100	97,195	7	54,175	2
1996	20,873	100	89,602	9	50,516	2
1995	19,535	110	77,279	9	48,281	1

Source: Information in this table was provided by the City of Hudson Development Department and Taxation Department of the State of Ohio.

(1) Estimated by the City of Hudson Community Development Department for City of Hudson Only.
Estimates for other communities were not available.

(2) Growth development plan limits building permits to 100 per year beginning in 1996.

* Information not available.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

PROPERTY VALUE, CONSTRUCTION AND FINANCIAL INSTITUTION DEPOSITS

LAST TEN CALENDAR YEARS

Year	Real Property Value			New Construction			Financial Institution Deposits (1)
	Agriculture Residential	Commercial Industrial	Tax Exempt	Agriculture Residential (2)	Commercial Industrial (2)	Total	
2005	2,168,780,829	354,355,171	83,124,550	7,762,690	2,790,680	10,553,370	7,362,747,000
2004	1,967,311,714	310,368,343	82,773,120	5,123,950	3,384,410	8,508,360	7,827,789,000
2003	1,968,562,657	304,989,486	84,013,410	7,237,820	4,300,670	11,538,490	8,176,834,000
2002	1,769,956,857	273,370,829	68,385,380	11,409,940	3,715,180	15,125,120	8,094,727,000
2001	1,740,265,857	252,071,743	66,417,500	12,721,440	3,617,970	16,339,410	7,770,612,000
2000	1,702,607,686	253,811,600	62,233,530	10,949,710	3,083,480	14,033,190	7,836,388,000
1999	1,616,253,086	237,445,143	61,188,040	13,298,060	2,932,940	16,231,000	6,858,863,000
1998	1,580,160,600	241,287,771	61,188,040	11,534,623	5,437,450	16,972,073	5,749,282,000
1997	1,542,270,743	225,014,286	55,948,300	14,402,110	3,657,480	18,059,590	3,344,418,000
1996	1,295,739,829	206,182,686	55,948,320	19,850,920	1,804,700	21,655,620	4,353,857,000

Source:

(1) Commercial bank deposits in Summit County as of December 31 except 2002, 2004, & 2005 which is as of June 30. Source is Federal Cleveland.

(2) Summit County Fiscal Officer - DTE 93.

Data is presented on a calendar year basis because that is the manner in which the information is maintained by the City and Summit County.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

PRINCIPAL TAXPAYERS
REAL ESTATE TAX

DECEMBER 31, 2004

Name of Taxpayer	Assessed Value (1)	Percent of Real Assessed Value
Allstate Insurance	\$ 7,447,540	0.84%
Little Tikes	5,503,130	0.62%
Hudson-Omni III LTD	3,881,450	0.44%
Fabri-Centers of America, Inc.	3,496,830	0.40%
Title Guarantee & Trust Co. Trustee	3,214,310	0.36%
Georgetown Development	2,452,600	0.28%
Janus Hotels & Resorts Inc.	2,415,010	0.27%
Flood Company	2,306,360	0.26%
Albrecht Inc.	1,898,200	0.22%
Kobelco Stewart Bolling	1,724,400	0.20%
<i>Total</i>	<u>\$ 34,339,830</u>	<u>3.89%</u>
 <i>Total Real Assessed Value</i>	 <u>\$ 882,741,300</u>	

Source: Summit County Fiscal Officer

(1) Assessed Values are for 2003.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

PRINCIPAL TAXPAYERS
TANGIBLE PERSONAL PROPERTY TAX

DECEMBER 31, 2004

Name of Taxpayer	Assessed Value (1)	Percent of Tangible Assessed Value
JoAnn Stores, Inc.	\$ 8,302,160	16.47%
Little Tikes Company	8,133,980	16.14%
IBM Credit Corporation	6,265,340	12.43%
T.E. Clarke Ford, Inc. & Clarke Auto Park, Inc.	2,980,420	5.91%
Ramco Specialties, Inc.	2,111,780	4.19%
Alro Steel Company	1,216,680	2.41%
Hitachi Data Systems Corp.	1,039,850	2.06%
Clarke Auto Park Inc.	1,026,330	2.04%
Flood Company	996,820	1.98%
Jagy Corporate Capital Inc.	953,900	1.89%
<i>Total</i>	<u>\$ 33,027,260</u>	<u>65.53%</u>
 <i>Total Tangible Personal Property Value</i>	 <u>\$ 50,398,882</u>	

Source: Summit County Fiscal Officer

(1) Assessed Values are for 2003.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

TEN YEAR ENROLLMENT HISTORY

SCHOOL YEAR 1995 - 1996 TO SCHOOL YEAR 2004 - 2005

<u>Grade/Year</u>	<u>1995-1996</u>	<u>1996-1997</u>	<u>1997-1998</u>	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
PS	42	50	47	43	41	43	66	67	59	58
K	388	385	388	350	370	346	333	358	353	325
1	426	415	408	419	390	378	386	357	382	363
2	435	428	410	399	417	393	398	378	362	379
3	418	444	429	419	407	426	403	398	397	365
4	432	428	437	444	436	423	443	428	414	417
5	458	449	425	451	450	445	436	460	448	430
Elementary	<u>2,599</u>	<u>2,599</u>	<u>2,544</u>	<u>2,525</u>	<u>2,511</u>	<u>2,454</u>	<u>2,465</u>	<u>2,446</u>	<u>2,415</u>	<u>2,337</u>
6	436	465	439	429	451	445	466	443	469	460
7	404	434	460	458	426	452	451	483	455	475
8	417	408	440	454	470	440	460	463	483	446
Middle	<u>1,257</u>	<u>1,307</u>	<u>1,339</u>	<u>1,341</u>	<u>1,347</u>	<u>1,337</u>	<u>1,377</u>	<u>1,389</u>	<u>1,407</u>	<u>1,381</u>
9	431	407	392	428	454	467	452	438	453	484
10	369	409	383	391	407	452	454	434	439	432
11	392	362	425	389	389	402	431	465	432	449
12	349	378	358	427	388	386	407	427	455	428
High	<u>1,541</u>	<u>1,556</u>	<u>1,558</u>	<u>1,635</u>	<u>1,638</u>	<u>1,707</u>	<u>1,744</u>	<u>1,764</u>	<u>1,779</u>	<u>1,793</u>
SCEC	<u>4</u>	<u>6</u>	<u>8</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>3</u>	<u>-</u>	<u>-</u>
Total	<u><u>5,401</u></u>	<u><u>5,468</u></u>	<u><u>5,449</u></u>	<u><u>5,506</u></u>	<u><u>5,502</u></u>	<u><u>5,504</u></u>	<u><u>5,591</u></u>	<u><u>5,602</u></u>	<u><u>5,601</u></u>	<u><u>5,511</u></u>

Source: School District Student Records

October Reporting Period

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

TEN YEAR ATTENDANCE DATA

School Year Ended		Number of Graduates	Average Daily Membership (ADM)	Student Attendance Rate	Full-Time Equivalent Certified Staff	Full-Time Equivalent Support Staff	Full-Time Equivalent Total Staff	Attendance Rate Total Staff
2005	(2)	396	5,273	95.8	436.13	245.64	681.77	95.8
2004	(2)	415	5,328	96.1	450.64	249.14	699.78	96.1
2003	(1)	379	5,337	95.9	424.53	211.61	636.14	96.5
2002	(2)	399	5,266	95.9	441.66	271.40	713.06	97.0
2001	(2)	371	5,188	95.7	424.74	248.08	672.82	97.3
2000	(2)	367	5,172	95.4	411.69	242.00	653.69	97.3
1999	(2)	398	5,240	95.1	403.02	228.32	631.34	97.4
1998	(2)	335	5,140	95.5	381.35	235.13	616.48	97.7
1997	(2)	367	5,155	95.8	371.40	222.39	593.79	97.3
1996	(2)	335	5,097	95.6	354.29	205.59	559.88	97.4

Source: School District Year End Summary Report 1994 - 2003
School District Data Trend Report 1994 - 1997
School District Annual Reports

Note: (1) Full-time equivalent staff includes only employees of the District.
(2) Full-time equivalent staff includes employees of the District, contracted and auxillary personnel.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

FIVE YEAR ENROLLMENT PROJECTION

SCHOOL YEAR 2005 - 2006 TO SCHOOL YEAR 2009 - 2010

Grade/Year	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
PS	62	63	64	63	63
K	336	331	324	333	333
1	347	362	356	345	359
2	376	358	375	369	359
3	382	383	365	381	376
4	384	403	404	386	403
5	424	397	414	418	395
Elementary	<u>2,311</u>	<u>2,297</u>	<u>2,302</u>	<u>2,295</u>	<u>2,288</u>
6	438	435	406	421	425
7	477	458	455	424	436
8	477	486	460	463	427
Middle	<u>1,392</u>	<u>1,379</u>	<u>1,321</u>	<u>1,308</u>	<u>1,288</u>
9	448	484	499	463	467
10	470	441	477	487	457
11	434	472	442	480	489
12	448	425	460	436	477
High	<u>1,800</u>	<u>1,822</u>	<u>1,878</u>	<u>1,866</u>	<u>1,890</u>
SCEC	<u>6</u>	<u>6</u>	<u>5</u>	<u>6</u>	<u>6</u>
Grade 23	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
Total	<u><u>5,521</u></u>	<u><u>5,516</u></u>	<u><u>5,518</u></u>	<u><u>5,487</u></u>	<u><u>5,484</u></u>
Change	(94)	(5)	2	(31)	(3)

Source: School District Enrollment
Projections as of December, 2004

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

COST TO EDUCATE A 2005 GRADUATE
HUDSON CITY SCHOOL DISTRICT VERSUS STATE OF OHIO

<u>School Year Ended</u>	<u>Grade</u>	<u>Hudson Annual per Pupil Cost</u>	<u>State Average</u>
2005	12	\$ 9,978	\$ 9,048
2004	11	9,215	8,768
2003	10	9,228	8,435
2002	9	8,873	8,057
2001	8	8,584	7,564
2000	7	7,929	7,057
1999	6	7,427	6,642
1998	5	6,966	6,232
1997	4	6,399	5,936
1996	3	5,597	5,466
1995	2	5,428	5,391
1994	1	5,377	5,241
1993	Kindergarten	<u>5,242</u>	<u>5,024</u>
Total Cost		<u>\$ 96,243</u>	<u>\$ 88,861</u>

* Preliminary

Source: Cost per Pupil-State of Ohio Department of Education 1989 - 1992.
School District Profile-State of Ohio Department of Education 1993 - 1996.
School District Expenditure Flow Model 1997 - 2004.

Excludes debt service, capital outlay, community education, non-public and other.

**HUDSON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

EDUCATIONAL STATISTICS

LAST FIVE SCHOOL YEARS

	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Advance Placement Tests					
% of Grades Scoring a 3 or Better Out of 5 (1)	76	78	83	82	85
ACT Composite Scores (Averages)					
Hudson High School	24.0	24.4	24.2	25.7	25.2
National	21.0	20.8	20.8	21.9	20.9
SAT Scores (Averages) - Hudson High School					
Verbal	537	529	542	547	555
Mathematics	557	559	566	577	577
California Test of Basic Skills (Total Battery)					
Mean National Percentile					
Grade 3	79.7	78.1	81.3	82.5	-
Grade 5	84.4	83.5	83.1	82.7	-
Grade 7	89.5	88.4	88.1	86.8	-
Grade 9	85.5	-	-	-	-
4th Grade Proficiency Tests					
(Percent Achieving Proficient Standard)					
Writing	94	96	85	93	96
Reading	80	87	80	87	96
Mathematics	80	84	85	85	81
Citizenship	90	91	93	82	87
Science	79	88	83	82	84
6th Grade Proficiency Tests: (Passing on First Attempt)					
Writing	95	96	91	96	85
Reading	85	84	77	81	95
Mathematics	85	86	87	87	83
Citizenship	89	92	96	89	92
Science	83	83	87	84	87
9th Grade Proficiency Tests: (Passing on First Attempt)					
Writing	99	98	95	100	N/A
Reading	98	98	94	98	N/A
Mathematics	90	92	96	96	N/A
Citizenship	93	97	97	98	N/A
Science	93	95	95	98	N/A
Ohio Graduation Test Proficiency Tests:					
(Percent Achieving Proficient Standard)					
Writing	N/A	N/A	N/A	N/A	98
Reading	N/A	N/A	N/A	N/A	97
Mathematics	N/A	N/A	N/A	N/A	97
Citizenship	N/A	N/A	N/A	N/A	94
Science	N/A	N/A	N/A	N/A	92
National Merit Scholarship Program					
Semi-Finalists	3	3	2	14	6
Commended	7	7	13	10	12

* Not administered

(1) The criteria for taking advanced placement courses have been extended to include more students in 1991

Source: School District Student Records
EMIS Proficiency Data - Data Trend Report

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HUDSON 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 21, 2006**