



**Auditor of State  
Betty Montgomery**



**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Urbana City School District  
Champaign County  
711 Wood Street  
Urbana, Ohio 43078

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Urbana City School District, Champaign County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Urbana City School District, Champaign County, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Betty Montgomery**  
Auditor of State

April 25, 2005

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The discussion and analysis of the Urbana 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, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the 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 2004 are as follows:

- In total, net assets of governmental activities increased \$177,972 which represents a 2.41% increase from 2003.
- General revenues accounted for \$17,979,205 in revenue or 85.98% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,931,508 or 14.02% of total revenues of \$20,910,713.
- The District had \$20,732,741 in expenses related to governmental activities; \$2,931,508 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 \$17,979,205 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$17,884,585 in revenues and other financing sources and \$18,120,555 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance decreased \$235,970 from \$3,865,674 to \$3,629,704.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" 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.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

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

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

The District's statement of net assets and statement of activities can be found on pages 14-15 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 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

**Proprietary Funds**

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical benefits self-insurance. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**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 27-54 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 2004 and 2003.

	<b>Net Assets</b>	
	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current and other assets	\$18,089,781	\$17,060,986
Capital assets	2,922,888	3,075,527
Total assets	<u>21,012,669</u>	<u>20,136,513</u>
<b>Liabilities</b>		
Current liabilities	10,995,894	10,463,879
Long-term liabilities	2,453,780	2,287,611
Total liabilities	<u>13,449,674</u>	<u>12,751,490</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,365,888	2,417,335
Restricted	1,672,557	1,703,510
Unrestricted	<u>3,524,550</u>	<u>3,264,178</u>
Total net assets	<u><u>\$7,562,995</u></u>	<u><u>\$7,385,023</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$7,562,995. Of this total, \$3,524,550 is unrestricted in use.

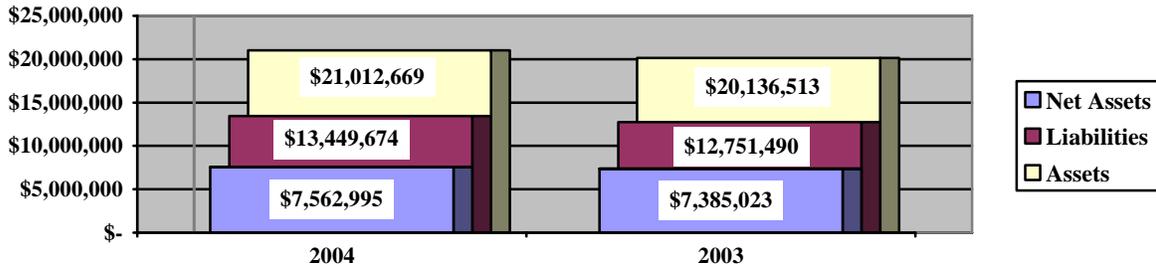
At year-end, capital assets represented 13.91% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$2,365,888. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,672,557, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,524,550 may be used to meet the District's ongoing obligations to the students and creditors.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Governmental Activities**



The table below shows the change in net assets for fiscal years 2004 and 2003.

**Change in Net Assets**

	<b>Governmental Activities 2004</b>	<b>Governmental Activities 2003</b>
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$1,290,958	\$957,982
Operating grants and contributions	1,640,550	1,555,374
General revenues:		
Property taxes	8,911,759	8,713,577
Grants and entitlements	8,916,700	8,628,165
Investment earnings	64,568	93,597
Other	86,178	119,105
<b>Total revenues</b>	<b>20,910,713</b>	<b>20,067,800</b>

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	<b>Change in Net Assets</b>	
	<b>Governmental Activities 2004</b>	<b>Governmental Activities 2003</b>
<b>Expenses</b>	<hr/>	<hr/>
Program expenses:		
Instruction:		
Regular	\$10,406,228	\$8,316,803
Special	2,153,521	2,453,781
Vocational	99,901	253,990
Other	55,990	52,063
Support services:		
Pupil	1,196,470	1,221,368
Instructional staff	600,580	435,260
Board of education	29,453	26,954
Administration	1,694,736	1,582,904
Fiscal	204,525	172,284
Business	389,858	368,405
Operations and maintenance	1,582,134	1,944,021
Pupil transportation	636,215	617,429
Central	208,065	156,768
Food service operations	689,941	718,029
Operations of non-instructional services	89,349	37,409
Extracurricular activities	604,839	594,023
Intergovernmental	52,675	87,043
Interest and fiscal charges	38,261	35,240
	<hr/>	<hr/>
Total expenses	20,732,741	19,073,774
	<hr/>	<hr/>
Change in net assets	<u>\$177,972</u>	<u>\$994,026</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$177,972. Total governmental expenses of \$20,732,741 were offset by program revenues of \$2,931,508 and general revenues of \$17,979,205. Program revenues supported 14.14% of the total governmental expenses.

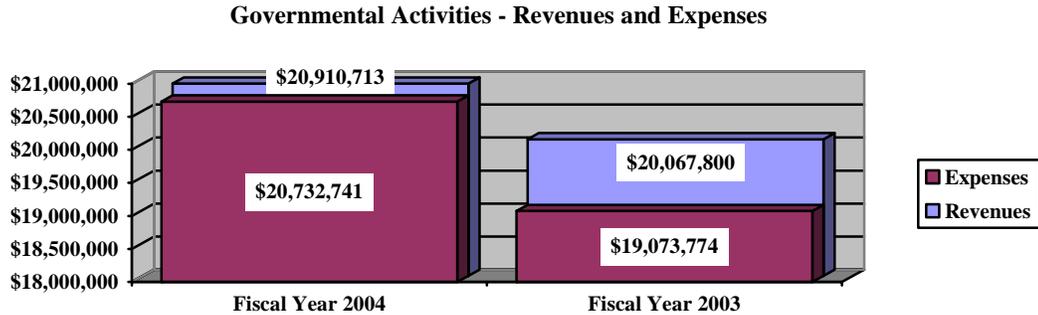
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 85.98% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,715,640 or 61.33% of total governmental expenses for fiscal 2004.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.



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

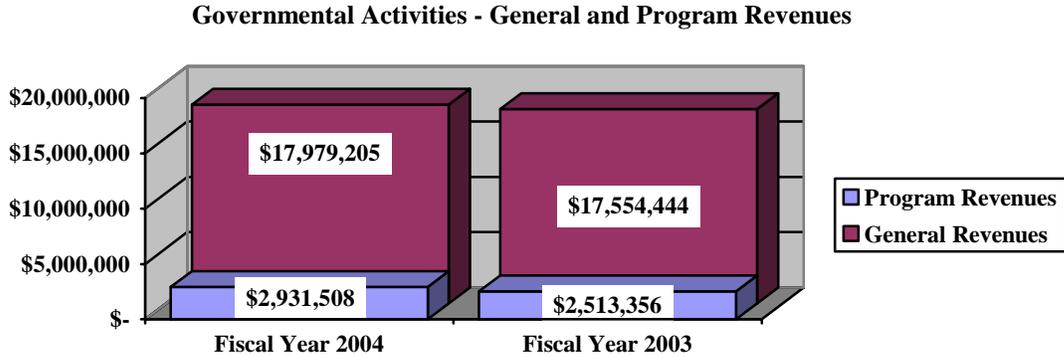
	<b>Governmental Activities</b>			
	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>	<b>Total Cost of Services 2003</b>	<b>Net Cost of Services 2003</b>
<b>Program expenses</b>				
Instruction:				
Regular	\$10,406,228	\$9,673,360	\$8,316,803	\$7,827,875
Special	2,153,521	1,311,187	2,453,781	1,849,086
Vocational	99,901	97,825	253,990	251,361
Other	55,990	55,990	52,063	52,063
Support services:				
Pupil	1,196,470	1,153,617	1,221,368	1,179,799
Instructional staff	600,580	595,851	435,260	413,963
Board of education	29,453	29,453	26,954	26,954
Administration	1,694,736	1,629,903	1,582,904	1,503,600
Fiscal	204,525	201,839	172,284	172,284
Business	389,858	214,256	368,405	133,597
Operations and maintenance	1,582,134	1,579,578	1,944,021	1,934,500
Pupil transportation	636,215	630,651	617,429	601,090
Central	208,065	200,860	156,768	156,768
Operations of non-instructional services:				
Food service operations	689,941	(9,829)	718,029	21,756
Other non-instructional services	89,349	75,481	37,409	30,769
Extracurricular activities	604,839	331,391	594,023	343,131
Intergovernmental	52,675	(8,441)	87,043	26,582
Interest and fiscal charges	38,261	38,261	35,240	35,240
<b>Total expenses</b>	<b>\$20,732,741</b>	<b>\$17,801,233</b>	<b>\$19,073,774</b>	<b>\$16,560,418</b>

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 70.72% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.86%. 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 2004 and 2003.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$5,490,594, which is higher than last year's total of \$5,398,158. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	<u>Fund Balance June 30, 2004</u>	<u>Fund Balance June 30, 2003</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$3,629,704	\$3,865,674	(\$235,970)	(6.10) %
Other Governmental	1,860,890	1,532,484	328,406	21.43 %
Total	<u>\$5,490,594</u>	<u>\$5,398,158</u>	<u>\$92,436</u>	1.71 %

**General Fund**

The District's general fund balance decreased \$235,970. The decrease in fund balance can be attributed to expenditures increasing at three times the rate of revenues. The District did not purchase new computers for the elementary buildings, but leased them from the Apple Computer Company, thus saving the expense in capital outlay, but will have a debt service payment for the next two years of about \$75,000 each year. Open enrollment, in previous years, had been reported as the difference between incoming student open enrollment revenue and outgoing student open enrollment expense which resulted in a posting as a net expense. This year, this expense has been restated with incoming student open enrollment revenue posted as a gross revenue to the miscellaneous revenue line and outgoing student open enrollment expense posted as a gross expense to the purchase service line.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Taxes	\$8,373,156	\$8,078,962	\$294,194	3.64 %
Tuition	404,622	44,194	360,428	815.56 %
Earnings on investments	57,867	85,844	(27,977)	(32.59) %
Other revenues	181,548	191,981	(10,433)	(5.43) %
Intergovernmental	8,724,269	8,488,897	235,372	2.77 %
Total	<u>17,741,462</u>	<u>16,889,878</u>	<u>851,584</u>	5.04 %
<b>Expenditures</b>				
Instruction	11,576,585	9,614,400	1,962,185	20.41 %
Support services	5,936,097	5,286,110	649,987	12.30 %
Non-instructional services	52,019	5,861	46,158	787.54 %
Extracurricular activities	349,900	357,418	(7,518)	(2.10) %
Capital outlay	143,123	-	143,123	100.00 %
Total	<u>\$18,057,724</u>	<u>\$15,263,789</u>	<u>\$2,793,935</u>	18.30 %

**General Fund Budgeting Highlights**

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

During the course of fiscal 2004, the District amended its general fund twice. For the general fund, original budgeted revenues and other financing sources were \$17,479,690 and final budgeted revenues and other financing sources were \$18,032,823. Actual revenues and other financing sources for fiscal 2004 was \$18,037,634. This represents a \$557,944 increase over original budgeted revenues. The increase in revenues is attributed to an increase in tax and intergovernmental revenues.

General fund original appropriations and final appropriations (appropriated expenditures including other financing uses) totaled \$17,121,961 and \$18,055,776, respectively. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$17,930,076, which was \$808,115 more than the original appropriations and \$125,700 less than final budget appropriations.

All benefits increased an average of 9% which was anticipated and budgeted, with the exception of worker's compensation. The state withdrew previous year's discounts, thus resulting in an increased expenditure of 122% over 2003 to the Bureau of Worker's Compensation. The other major increase was payment of tuition to community schools. Tuition increased by 815% and with the reinstatement of open enrollment expenses, the total purchased services line increased by 58% over the previous year. The other major expense this year was the purchase of textbooks for grades K-8 at a cost of \$225,000, which was less than originally budgeted.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2004, the District had \$2,922,888 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
Land	\$206,575	\$206,575
Land improvements	177,875	197,755
Building and improvements	1,453,377	1,537,165
Furniture and equipment	644,313	745,265
Vehicles	376,581	322,267
Infrastructure	64,167	66,500
<b>Total</b>	<b>\$2,922,888</b>	<b>\$3,075,527</b>

The overall decrease in capital assets of \$152,639 is due to depreciation expense of \$351,190 exceeding capital outlays of \$198,551 in the fiscal year.

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

**Debt Administration**

At June 30, 2004, the District had \$80,000 in general obligation bonds and \$235,000 in energy conservation notes outstanding. Of this total, \$35,000 is due within one year and \$280,000 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

	<b>Outstanding Debt, at Year End</b>	
	<b>Governmental Activities 2004</b>	<b>Governmental Activities 2003</b>
General obligation bonds	\$80,000	\$95,000
Energy conservation notes	235,000	250,000
<b>Total</b>	<b>\$315,000</b>	<b>\$345,000</b>

At June 30, 2004, the District's overall legal debt margin was \$25,171,579, and an unvoted energy conservation debt margin of \$2,290,158.

See Note 10 to the basic financial statements for detail on the District's debt administration.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Current Related Financial Activities**

The District is facing future challenges in the area of state funding. The State of Ohio was found by the Ohio Supreme Court in March of 1997 to be operating an unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future state funding and on its financial operations.

Concerns regarding the effects of House Bill 95, passed in June 2003, on the District finances are facing the Board and Administration also. House Bill 95 eliminated three-year averaging of average daily membership (ADM) counts. It is anticipated that the District will lose over \$200,000 due to the loss of the three-year average of ADM, and the loss could be more as the ripple effect of the ADM affects the parity aide and excess costs supplement. If the District continues to have declining enrollment, the effects of the loss of the three-year average could be devastating. It is difficult to determine at this time the true impact to the District of the increased phase-out of the Personal Tangible Inventory Tax, since these returns are private and little information is available through the State Department of Taxation. By using the estimated 1998 tables, it is estimated that the District will lose \$1,500,000 over the next ten years due to the loss of tangible personal inventory tax. The \$150,000 per year loss compounded will begin with fiscal year 2005. The phase-out of the \$10,000 personal property tax has already reduced the tax collection by over \$25,000 in its second year and will be phased out in eight more years.

What was almost implemented with HB95 and is being discussed for the next biennium budget is the complete elimination of all tangible personal property tax. This would be devastating for Urbana City Schools. It ranks #52 out of 612 districts in the state in reliance on tangible personal property taxes and this tax amounts to almost half of the total tax dollars collected in the district and over one-fourth of the total general fund revenue.

Another challenge facing the District is the need to update its facilities to streamline operations and to enhance learning space design for students. The Board has developed a "Steps to Success" committee to develop a plan for school building replacement/renovation, grade configuration, building numbers and locations. The Board and administration will be working with the Ohio School Facilities Commission (OSFC) to develop a master facilities plan. OSFC funding will comprise approximately 41% approved project costs; thus, it is important to capture this revenue source to relieve some of the financial burden from local taxpayers.

The District formed a community school during fiscal 2003. Urbana Community School was formed in the hopes of providing assistance to students who do not function well in the regular school system. As it does not have the minimum enrollment of 25 students, the state and federal grant funds were deposited in an agency fund of the District and expended for planning services during the school year. It is anticipated that the Urbana Community School will attain the 25 students it needs to open, and will have its own fiscal accountability, beginning in FY05.

The District has committed itself to educational and financial excellence for many years. The District has received unqualified opinions on the financial statements. Each challenge identified in this section is viewed as an opportunity 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 maintain adequate resources to support the educational program.

It is very important that the Board and Administration continue to carefully and prudently plan in order to provide the resources necessary to meet the needs of the students of Urbana into the future.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Londa Schwierking, Treasurer, Urbana City School District, 711 Wood St., Urbana, Ohio 43078.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash, cash equivalents and investments	\$8,336,497
Receivables:	
Taxes	9,525,630
Accounts	3,391
Intergovernmental	217,916
Materials and supplies inventory	6,347
Capital assets:	
Land	206,575
Depreciable capital assets, net	2,716,313
Capital assets, net	<u>2,922,888</u>
 Total assets	 <u>21,012,669</u>
 <b>Liabilities:</b>	
Accounts payable	39,336
Contracts payable	24,538
Accrued wages and benefits	1,663,490
Pension obligation payable	396,686
Intergovernmental payable	157,514
Deferred revenue	8,449,343
Accrued interest payable	5,018
Claims payable	259,969
Long-term liabilities:	
Due within one year	570,689
Due in more than one year	1,883,091
 Total liabilities	 <u>13,449,674</u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	2,365,888
Restricted for:	
Capital projects	755,421
Other purposes	917,136
Unrestricted	<u>3,524,550</u>
 Total net assets	 <u><u>\$7,562,995</u></u>

*See accompanying notes to the basic financial statements.*

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Program Revenues</b>		<b>Net (Expense) Revenue and and Changes in Net Assets</b>
	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Expenses</b>			
<b>Governmental activities:</b>			
Instruction:			
Regular	\$10,406,228	\$481,264	\$251,604
Special	2,153,521		842,334
Vocational	99,901		2,076
Other	55,990		
Support services:			
Pupil	1,196,470		42,853
Instructional staff	600,580		4,729
Board of education	29,453		
Administration	1,694,736		64,833
Fiscal	204,525		2,686
Business	389,858	157,602	18,000
Operations and maintenance	1,582,134		2,556
Pupil transportation	636,215	2,783	2,781
Central	208,065		7,205
Operation of non-instructional services:			
Food service operations	689,941	375,861	323,909
Other non-instructional services	89,349		13,868
Extracurricular activities	604,839	273,448	
Intergovernmental	52,675		61,116
Interest and fiscal charges	38,261		
	<b>\$20,732,741</b>	<b>\$1,290,958</b>	<b>\$1,640,550</b>
<b>Total governmental activities</b>	<b>\$20,732,741</b>	<b>\$1,290,958</b>	<b>\$1,640,550</b>
<b>General Revenues:</b>			
Property taxes levied for:			
General purposes			8,334,597
Capital projects			577,162
Grants and entitlements not restricted to specific programs			8,916,700
Investment earnings			64,568
Miscellaneous			86,178
			<b>17,979,205</b>
<b>Total general revenues</b>			<b>17,979,205</b>
Change in net assets			177,972
Net assets at beginning of year			7,385,023
Net assets at end of year			<b>\$7,562,995</b>

See accompanying notes to the basic financial statements.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash, cash equivalents and investments	\$4,857,245	\$1,892,427	\$6,749,672
Receivables:			
Taxes	8,909,425	616,205	9,525,630
Accounts	1,650	1,741	3,391
Intergovernmental	66,703	151,213	217,916
Interfund loans	48,787		48,787
Materials and supplies inventory		6,347	6,347
Loans to other funds	15,185		15,185
Restricted assets:			
Equity in pooled cash and cash equivalents	539,427		539,427
 Total assets	 <u>14,438,422</u>	 <u>2,667,933</u>	 <u>17,106,355</u>
<b>Liabilities:</b>			
Accounts payable	28,228	11,108	39,336
Contracts payable		24,538	24,538
Accrued wages and benefits	1,611,155	52,335	1,663,490
Compensated absences payable	318,642		318,642
Pension obligation payable	257,670	11,366	269,036
Intergovernmental payable	148,878	8,636	157,514
Interfund loan payable		48,787	48,787
Loans from other funds		15,185	15,185
Deferred revenue	8,444,145	635,088	9,079,233
 Total liabilities	 <u>10,808,718</u>	 <u>807,043</u>	 <u>11,615,761</u>
<b>Fund Balances:</b>			
Reserved for encumbrances	189,204	77,850	267,054
Reserved for materials and supplies inventory		6,347	6,347
Reserved for tax revenue unavailable for appropriation	465,280	33,330	498,610
Reserved for budget stabilization	113,449		113,449
Reserved for loans to other funds	15,185		15,185
Reserved for textbooks	424,121		424,121
Reserved for school bus purchases	1,857		1,857
Designated for budget stabilization	253,159		253,159
Unreserved, undesignated, reported in:			
General fund	2,167,449		2,167,449
Special revenue funds		1,082,610	1,082,610
Capital projects funds		660,753	660,753
 Total fund balances	 <u>3,629,704</u>	 <u>1,860,890</u>	 <u>5,490,594</u>
 Total liabilities and fund balances	 <u>\$14,438,422</u>	 <u>\$2,667,933</u>	 <u>\$17,106,355</u>

See accompanying notes to the basic financial statements.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

<b>Total governmental fund balances</b>		<b>\$5,490,594</b>
<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.		2,922,888
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$577,677	
Intergovernmental revenue	<u>52,213</u>	
Total		629,890
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		787,429
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	1,435,015	
Pension obligation payable	127,650	
General obligation bonds	80,000	
Energy conservation notes	235,000	
Capital lease obligation	385,123	
Accrued interest payable	<u>5,018</u>	
Total		<u>(2,267,806)</u>
<b>Net assets of governmental activities</b>		<b><u><u>\$7,562,995</u></u></b>

*See accompanying notes to the basic financial statements.*

URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes	\$8,373,156	\$580,048	\$8,953,204
Tuition	404,622		404,622
Charges for services	24,693	375,861	400,554
Earnings on investments	57,867	2,299	60,166
Extracurricular		398,932	398,932
Classroom materials and fees		76,642	76,642
Other local revenues	24,393	74,549	98,942
Other revenue	132,462		132,462
Intergovernmental - State	8,724,269	315,122	9,039,391
Intergovernmental - Federal		1,344,686	1,344,686
Total revenue	<u>17,741,462</u>	<u>3,168,139</u>	<u>20,909,601</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	9,170,823	322,417	9,493,240
Special	2,083,970	773,331	2,857,301
Vocational	265,802	1,878	267,680
Other	55,990		55,990
Support services:			
Pupil	1,175,575	42,934	1,218,509
Instructional staff	568,699	10,374	579,073
Board of education	29,659		29,659
Administration	1,601,450	51,886	1,653,336
Fiscal	222,216	5,991	228,207
Business	163,872	201,248	365,120
Operations and maintenance	1,292,289		1,292,289
Pupil transportation	687,669	2,263	689,932
Central	194,668	13,397	208,065
Operation of non-instructional services:			
Food service operations		700,801	700,801
Other non-instructional services	52,019	21,546	73,565
Extracurricular activities	349,900	249,953	599,853
Facilities acquisition and construction		313,841	313,841
Capital outlay	143,123		143,123
Intergovernmental pass through		52,675	52,675
Debt service:			
Principal retirement		101,192	101,192
Interest and fiscal charges		36,704	36,704
Total expenditures	<u>18,057,724</u>	<u>2,902,431</u>	<u>20,960,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(316,262)</u>	<u>265,708</u>	<u>(50,554)</u>
<b>Other financing sources (uses):</b>			
Transfers in		62,831	62,831
Transfers (out)	(62,831)		(62,831)
Proceeds from capital lease transaction	143,123		143,123
Total other financing sources (uses)	<u>80,292</u>	<u>62,831</u>	<u>143,123</u>
Net change in fund balances	(235,970)	328,539	92,569
<b>Fund balances at beginning of year</b>	3,865,674	1,532,484	5,398,158
<b>Decrease in reserve for inventory</b>		(133)	(133)
<b>Fund balances at end of year</b>	<u>\$3,629,704</u>	<u>\$1,860,890</u>	<u>\$5,490,594</u>

See accompanying notes to the basic financial statements.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**Net change in fund balances - total governmental funds** \$92,569

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$351,190) exceeds capital outlays (\$198,551) in the current period. (152,639)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (133)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (3,290)

Repayment of bonds, notes and capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 101,192

Proceeds of capital lease transactions are recorded as revenue in the funds however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (143,123)

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. (1,557)

Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 147,898

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 137,055

**Change in net assets of governmental activities** \$177,972

See accompanying notes to the basic financial statements.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**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, 2004**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
<b>Revenues:</b>				
From local sources:				
Taxes	\$8,109,405	\$8,366,022	\$8,368,254	\$2,232
Tuition	392,105	404,513	404,621	108
Transportatin fees	22,488	23,200	23,206	6
Earnings on investments	61,205	63,142	63,159	17
Other local revenues	22,102	22,801	22,807	6
Other revenue	71,369	73,627	73,647	20
Intergovernmental - State	8,454,408	8,721,942	8,724,269	2,327
Total revenue	<u>17,133,082</u>	<u>17,675,247</u>	<u>17,679,963</u>	<u>4,716</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,183,426	8,770,617	8,781,192	(10,575)
Special	1,914,955	2,052,361	2,054,835	(2,474)
Vocational	257,308	275,771	276,103	(332)
Other	52,486	56,252	56,320	(68)
Support services:				
Pupil	1,168,779	1,163,547	1,147,555	15,992
Instructional staff	438,531	436,568	430,568	6,000
Board of education	30,555	30,418	30,000	418
Administration	1,670,064	1,662,587	1,639,736	22,851
Fiscal	224,378	223,373	220,303	3,070
Business	167,600	166,849	164,556	2,293
Operations and maintenance	1,388,231	1,382,016	1,363,021	18,995
Pupil transportation	708,114	704,944	695,255	9,689
Central	192,534	191,673	189,038	2,635
Operation of non-instructional services		55,300	51,764	3,536
Extracurricular activities	375,000	365,000	362,903	2,097
Total expenditures	<u>16,771,961</u>	<u>17,537,276</u>	<u>17,463,149</u>	<u>74,127</u>
Excess of revenues over (under) expenditures	<u>361,121</u>	<u>137,971</u>	<u>216,814</u>	<u>78,843</u>
<b>Other financing sources (uses):</b>				
Transfers in	344,319	355,214	355,309	95
Transfers (out)	(313,430)	(464,324)	(418,140)	46,184
Advances (out)	(36,570)	(54,176)	(48,787)	5,389
Refund of prior year expenditure	630	650	650	
Proceeds from sale of capital assets	1,659	1,712	1,712	
Total other financing sources (uses)	<u>(3,392)</u>	<u>(160,924)</u>	<u>(109,256)</u>	<u>51,668</u>
Net change in fund balance	357,729	(22,953)	107,558	130,511
<b>Fund balance at beginning of year</b>	4,800,566	4,800,566	4,800,566	
<b>Prior year encumbrances appropriated</b>	488,545	488,545	488,545	
<b>Fund balance at end of year</b>	<u>\$5,646,840</u>	<u>\$5,266,158</u>	<u>\$5,396,669</u>	<u>\$130,511</u>

See accompanying notes to the basic financial statements.

URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	<b>Governmental Activities Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash, cash equivalents and investments	<u>\$1,047,398</u>
Total assets	<u>1,047,398</u>
<b>Liabilities:</b>	
Claims payable	<u>259,969</u>
Total liabilities	<u>259,969</u>
<b>Net assets:</b>	
Unrestricted	<u>787,429</u>
Total net assets	<u><u>\$787,429</u></u>

*See accompanying notes to the basic financial statements.*

URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$1,651,308
Total operating revenues	<u>1,651,308</u>
<b>Operating expenses:</b>	
Claims and administrative services	1,518,655
Total operating expenses	<u>1,518,655</u>
Operating income	<u>132,653</u>
<b>Nonoperating revenues:</b>	
Interest revenue	4,402
Total nonoperating revenues	<u>4,402</u>
Change in net assets	137,055
<b>Net assets at beginning of year</b>	<u>650,374</u>
<b>Net assets at end of year</b>	<u><u>\$787,429</u></u>

*See accompanying notes to the basic financial statements.*

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Governmental Activities Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services	\$1,651,308
Cash payments for claims and administrative services	(1,509,715)
	<hr/>
Net cash provided by operating activities	141,593
	<hr/>
<b>Cash flows from investing activities:</b>	
Interest received	4,402
	<hr/>
Net cash provided by investing activities	4,402
	<hr/>
Net increase in cash and cash equivalents	145,995
<b>Cash and cash equivalents at beginning of year</b>	<hr/> 901,403
<b>Cash and cash equivalents at end of year</b>	<hr/> <hr/> 1,047,398
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	132,653
Changes in liabilities:	
Increase in claims payable	8,940
	<hr/>
Net cash provided by operating activities	<hr/> <hr/> \$141,593

*See accompanying notes to the basic financial statements.*

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash, cash equivalents and investments	\$88,519	\$158,039
Receivables:		
Accounts		1,417
Total assets	88,519	159,456
<b>Liabilities:</b>		
Accounts payable		304
Due to students		159,152
Total liabilities		\$159,456
<b>Net Assets:</b>		
Held in trust for scholarships	88,519	
Total net assets	\$88,519	

*See accompanying notes to the basic financial statements.*

URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>Additions:</b>	
Interest	\$727
Gifts and contributions	<u>14,155</u>
Total additions	<u>14,882</u>
<b>Deductions:</b>	
Scholarships awarded	<u>12,084</u>
Change in net assets	2,798
Net assets at beginning of year	<u>85,721</u>
Net assets at end of year	<u><u>88,519</u></u>

*See accompanying notes to the basic financial statements.*

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**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

Urbana City School District (the "District") is a political body incorporated and 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 is a city district as defined by Ohio Rev. Code Section 3311.02. The District operates under an elected Board of Education of five members and is responsible for the provision of public education to residents of the District.

The District is the 239<sup>th</sup> largest in the State of Ohio among 613 public school districts in terms of enrollment. It currently operates 3 elementary schools, 1 intermediate, 1 junior high and 1 high school. The District is staffed by 89 non-certified and 177 certificated personnel to provide services to approximately 2,276 students and other community members.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". 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, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this 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:

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Jointly Governed Organizations**

**Western Ohio Computer Organization**

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby counties. WOCO was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member districts.

The superintendent of each member district is seated in the assembly, which elects a Board of Directors for the Consortium, and approves major items proposed by the Board of Directors, such as the annual budget, fees schedule, and new cooperative ventures. The Board of Directors is comprised of 11 members, including two superintendents from member districts in each county and the superintendent of the entity serving as its fiscal agent (currently the Shelby County Educational Service Center). Financial information is available from Lewis Ivey, Jr., Administrator, 129 East Court Street, Sidney, Ohio 45265.

**Metropolitan Education Council**

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of nearly 124 districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by MEC. The governing board of MEC consists of one voting representative from each member district. Financial information is available from Elmo Kallner, Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

**Ohio Hi-Point Joint Vocational School District**

The Ohio Hi-Point Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio. The JVS is operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards. The Board possesses its own budgeting and taxing authority. Financial information is available from the Treasurer of the Ohio Hi-Point Joint Vocational School District, 2280 State Route 540, Bellefontaine, Ohio 43311.

**West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Insurance Purchasing Pool**

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan 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.

**1. Governmental Funds**

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

**General Fund**

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

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

**2. Proprietary Fund**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 only internal service fund of the District accounts for a self-insurance program which provides medical/surgical benefits to employees.

**3. 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.

**C. Basis of Presentation and Measurement Focus**

**1. 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 operating activity is eliminated to avoid overstatement of revenues and expenses.

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

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

**2. Fund Financial Statements**

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

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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 internal service fund is charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition 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.

**1. 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).

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**2. Deferred Revenue**

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

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

**3. Expenses/Expenditures**

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. 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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. By no later than January 20, the board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures for the general fund and the permanent improvement funds, and the fund level for all other funds, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interest loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation for all funds other than the general fund, or alter total function appropriations within the general fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund and/or function level.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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, Cash Equivalents and Investments" on the basic financial statements.

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit and a Fifth Third Bank government money market. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and a Fifth Third Bank government money market are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$57,867, which includes \$13,206 assigned from other funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

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

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 maintains a capitalization threshold of \$1,000. 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. The District possesses underground wastewater equipment.

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

<b>Description</b>	<b>Governmental Activities Estimated Lives</b>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years
Infrastructure	25 - 50 years

**I. Interfund Balances**

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

**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.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves/Designations**

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, property tax revenue unavailable for appropriation, budget stabilization, loans to other funds, textbooks and bus purchase allowance. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. The amount set-aside by the School Board for budget stabilization is reported as a designation of fund balance in the general fund.

**M. Operating Revenues and Expenses**

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

**N. 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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. The District has also received state monies that are restricted for school bus purchases. Fund balance reserves have also been established. See Note 16 for details.

**Q. 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 proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**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 year 2004.

**3. ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

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

	<u>Deficit</u>
<b>Nonmajor Funds</b>	
Food Service	\$23,733
Entry Year Program	6
Drug Free School Grant	181

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 resulted from adjustments for accrued liabilities.

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 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 monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 2% 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);

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on hand:** At fiscal year-end, the District had \$100 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**Deposits:** At year-end, the carrying amount of the District's deposits was \$6,561,323 and the bank balance was \$6,720,956 (both amounts include \$42,937 in non-negotiable certificates of deposit). Of the bank balance:

1. \$274,673 was covered by federal depository insurance deposited with the District; and
2. \$6,446,283 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

**Investments:** The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)**

	<b>Category 3</b>	<b>Reported Amount</b>	<b>Fair Value</b>
FHLBN	\$489,845	\$489,845	\$489,845
FHLMN	248,272	248,272	248,272
FNMN	1,208,883	1,208,883	1,208,883
Total	<u>\$1,947,000</u>		
Fifth Third Bank			
Money Market		49,632	49,632
Investment in STAR Ohio		25,000	25,000
Total investments		<u>\$2,021,632</u>	<u>\$2,021,632</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$8,583,055	
Investments of the cash management pool:		
FHLBN	(489,845)	\$489,845
FHLMN	(248,272)	248,272
FNMN	(1,208,883)	1,208,883
Fifth Third Bank government money market	(49,632)	49,632
Investment in STAR Ohio	(25,000)	25,000
Cash on hand	(100)	-
GASB Statement No. 3	<u>\$6,561,323</u>	<u>\$2,021,632</u>

**5. INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Nonmajor governmental funds	\$ 48,787

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

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. INTERFUND TRANSACTIONS (Continued)**

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

- B.** Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following long-term loans to other funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$15,185

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, 2004 are reported on the statement of net assets.

- C.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	\$62,831

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.

**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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 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.

The District receives property taxes from Champaign County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$465,280 in the general fund and \$33,330 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$460,380 in the general fund and \$32,980 in the permanent improvement fund.

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

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

	<b>2003 Second Half Collections</b>		<b>2004 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$206,553,970	77.01	\$220,974,134	78.76
Public utility personal	12,482,320	4.65	12,800,730	4.56
Tangible personal property	49,191,715	18.34	46,798,235	16.68
<b>Total</b>	<b>\$268,228,005</b>	<b>100.00</b>	<b>\$280,573,099</b>	<b>100.00</b>
Tax rate per \$1,000 of assessed valuation		\$60		\$58

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

<u>Governmental Activities</u>	
Taxes	\$9,525,630
Accounts	3,391
Intergovernmental	<u>217,916</u>
 Total receivables	 <u><u>\$9,746,937</u></u>

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

**8. CAPITAL ASSETS**

A. Capital assets were restated at June 30, 2003, to properly state buildings and improvements. The restatement had no effect on net assets at June 30, 2003.

<u>Governmental Activities</u>	<u>Balance</u> <u>06/30/03</u>	<u>Adjustment</u>	<u>Restated</u> <u>Balance</u> <u>06/30/03</u>
<b>Capital assets, not being depreciated:</b>			
Land	\$206,575		\$206,575
Total capital assets, not being depreciated	<u>206,575</u>		<u>206,575</u>
<b>Capital assets, being depreciated:</b>			
Land improvements	553,300		553,300
Building and improvements	4,633,342	(\$156,310)	4,477,032
Furniture and equipment	2,927,017		2,927,017
Vehicles	1,033,727		1,033,727
Infrastructure	70,000		70,000
Total capital assets, being depreciated	<u>9,217,386</u>	<u>(156,310)</u>	<u>9,061,076</u>
<b>Less: accumulated depreciation</b>			
Land improvements	(355,545)		(355,545)
Building and improvements	(3,096,177)	156,310	(2,939,867)
Furniture and equipment	(2,181,752)		(2,181,752)
Vehicles	(711,460)		(711,460)
Infrastructure	(3,500)		(3,500)
Total accumulated depreciation	<u>(6,348,434)</u>	<u>156,310</u>	<u>(6,192,124)</u>
Governmental activities capital assets, net	<u><u>\$3,075,527</u></u>	<u><u>\$0</u></u>	<u><u>\$3,075,527</u></u>

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. CAPITAL ASSETS (Continued)**

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

	<b>Restated Balance 06/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 06/30/04</b>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$206,575			\$206,575
Total capital assets, not being depreciated	<u>206,575</u>			<u>206,575</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	553,300			553,300
Buildings and improvements	4,477,032			4,477,032
Furniture and equipment	2,927,017	\$71,082	(\$10,500)	2,987,599
Vehicles	1,033,727	127,469		1,161,196
Infrastructure	70,000			70,000
Total capital assets, being depreciated	<u>9,061,076</u>	<u>198,551</u>	<u>(10,500)</u>	<u>9,249,127</u>
<b>Less: accumulated depreciation</b>				
Land improvements	(355,545)	(19,880)		(375,425)
Buildings and improvements	(2,939,867)	(83,788)		(3,023,655)
Furniture and equipment	(2,181,752)	(172,034)	10,500	(2,343,286)
Vehicles	(711,460)	(73,155)		(784,615)
Infrastructure	(3,500)	(2,333)		(5,833)
Total accumulated depreciation	<u>(6,192,124)</u>	<u>(351,190)</u>	<u>10,500</u>	<u>(6,532,814)</u>
Governmental activities capital assets, net	<u>\$3,075,527</u>	<u>(\$152,639)</u>	<u>\$0</u>	<u>\$2,922,888</u>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$173,773
Special	5,642
Vocational	1,851
<b>Support Services:</b>	
Pupil	8,608
Instructional staff	13,071
Administration	7,676
Fiscal	1,205
Business	402
Operations and maintenance	44,660
Pupil transportation	73,557
Noninstructional	14,842
Extracurricular activities	5,903
Total depreciation expense	<u>\$351,190</u>

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. CAPITALIZED LEASES - LESSEE DISCLOSURE**

During prior years, the District entered into capitalized leases for modular classrooms and computer equipment. During fiscal year 2004, the District refinanced the capital lease for modular classrooms. This spread the payments from 2005 through 2014. The District also entered into a capital lease in fiscal year 2004 for additional computer equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of buildings have been capitalized in the amount of \$502,200 and equipment has been capitalized in the amount of \$213,771. This amount represents the present value of the minimum lease payments at the time of acquisition. The computer equipment entered into under capital lease during 2004 in the amount of \$143,123 has not been capitalized as the equipment individually does not meet the District's capitalization threshold described in Note 2.H. A corresponding liability is recorded in the government-wide financial statements for all capital lease obligations. Principal payments in fiscal year 2004 totaled \$71,192 paid by the debt service fund.

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

<u>Fiscal Year Ending June 30,</u>	
2005	\$101,946
2006	104,261
2007	30,081
2008	30,391
2009	29,593
2010 - 2014	<u>150,049</u>
Total minimum lease payments	446,321
Less: amount representing interest	<u>(61,198)</u>
Total	<u><u>\$385,123</u></u>

**10. LONG-TERM OBLIGATIONS**

**A.** Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the statement of net assets. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. LONG-TERM OBLIGATIONS (Continued)**

The following is a description of the District's energy conservation notes outstanding as of June 30, 2004:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Notes Outstanding July 1, 2003</u>	<u>Issued in Fiscal 2004</u>	<u>Retired in Fiscal 2004</u>	<u>Notes Outstanding June 30, 2004</u>
Energy conservation note	5.60%	12/01/99	06/01/14	250,000	-	(15,000)	235,000
Total				<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 235,000</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

<u>Year Ending June 30</u>	<u>Principal on Energy Conservation Notes</u>	<u>Interest on Energy Conservation Notes</u>	<u>Total</u>
2005	\$20,000	\$13,365	\$33,365
2006	20,000	12,135	32,135
2007	20,000	11,095	31,095
2008	20,000	10,010	30,010
2009	20,000	8,902	28,902
2010 - 2014	135,000	24,508	159,508
Total	<u>\$235,000</u>	<u>\$80,015</u>	<u>\$315,015</u>

C. During fiscal year 2000, the District issued un-voted general obligation bonds to provide funds for building improvements (new boilers). These bonds are general obligations of the District for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to these bonds are recorded as expenditures of the debt service fund.

By agreement with the County Budget Commission, and in accordance with Ohio law, the District has converted a portion of its "inside", or un-voted millage to provide the source of repayment for these bonds. Ohio statutes allow for the issuance of un-voted general obligation debt to the extent that the par amount of said debt does not exceed 1/10 of 1% of the valuation (at issuance date) of the District.

The following is a description of the District's general obligation bonds outstanding as of June 30, 2004:

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. LONG-TERM OBLIGATIONS (Continued)**

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds</u>			<u>Bonds</u>
				<u>Outstanding July 1, 2003</u>	<u>Issued in Fiscal 2004</u>	<u>Retired in Fiscal 2004</u>	<u>Outstanding June 30, 2004</u>
Facilities improvement	5.501%	07/06/99	06/01/09	95,000	-	(15,000)	80,000
Total				<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 80,000</u>

D. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$15,000	\$4,200	\$19,200
2006	15,000	3,575	18,575
2007	15,000	2,750	17,750
2008	15,000	1,960	16,960
2009	<u>20,000</u>	<u>1,150</u>	<u>21,150</u>
Total	<u>\$80,000</u>	<u>\$13,635</u>	<u>\$93,635</u>

E. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	<u>Balance Outstanding 06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/04</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 95,000	\$ -	\$ (15,000)	\$ 80,000	\$ 15,000
Energy conservation notes	250,000	-	(15,000)	235,000	20,000
Capital lease obligation	313,192	143,123	(71,192)	385,123	91,622
Compensated absences	<u>1,629,419</u>	<u>136,851</u>	<u>(12,613)</u>	<u>1,753,657</u>	<u>444,067</u>
Total long-term obligations, governmental activities	<u>\$ 2,287,611</u>	<u>\$ 279,974</u>	<u>\$ (113,805)</u>	<u>\$ 2,453,780</u>	<u>\$ 570,689</u>

**F. 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 code further provides that un-voted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$25,171,579, an unvoted debt margin of \$200,573, and an unvoted energy conservation debt margin of \$2,290,158.

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. RISK MANAGEMENT**

**A. Comprehensive and Employee Health**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained risk management by traditional means of insuring through a commercial company.

With the exception of a deductible, the risk of loss transfers entirely from the District to the commercial company. The District has obtained commercial insurance for the following risks:

- Education Liability Policy
- Business Auto Coverage
- Commercial Property Coverage
- Commercial Crime Coverage
- Inland Marine Coverage

The District provides medical/surgical benefits through a self-insurance program. The District maintains a self-insurance internal service fund to account for and finance its required reserves for this program to its employees. Monthly premiums and claims are paid from the fund from which each employee is paid. This plan provides a medical/surgical plan with a \$200 family and \$100 single deductible. A third party administrator, Benefit Services, Inc., reviews all claims, which are then paid by the District. The District purchases stop-loss coverage of \$60,000 per employee per year, and \$1.0 million group aggregate for fiscal 2004. The premiums are paid by the District at a rate of 100% for all employees. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information.

The claims liability of \$259,969 reported in the internal service fund at June 30, 2004, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the District's third party administrator.

Changes in the claims liability for the current and prior fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2004	\$251,029	\$1,518,655	(\$1,509,715)	\$259,969
2003	185,394	1,461,891	(1,396,256)	251,029

The District continues to carry commercial insurance for all others risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2003.

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.

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

**B. Worker's Compensation**

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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 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.

**12. DEFINED BENEFIT PENSION PLANS**

**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 State Statute 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 43215-3476, 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 of 14% for 2004, 9.09% was the portion 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 to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$333,635, \$287,568 and \$267,756, respectively; 54.09% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$153,180, represents the unpaid contribution for fiscal year 2004.

**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 43215-3771, or by calling (614) 227-4090.

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% 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 to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,444,760, \$1,182,516, \$1,116,180, respectively; 84.91% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$217,961, represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**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.

**URBANA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

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 this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$103,197 during fiscal 2004.

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. For the fiscal year ended June 30, 2004, 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. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. 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. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge equaled \$134,434 during the 2004 fiscal year.

**14. BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**14. BUDGETARY BASIS OF ACCOUNTING (Continued)**

(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:

<b>Net Change in Fund Balance</b>	<b>General Fund</b>
Budget basis	\$107,558
Net adjustment for revenue accruals	61,499
Net adjustment for expenditure accruals	(809,099)
Net adjustment for other sources/uses	189,548
Adjustment for encumbrances	214,524
GAAP basis	(\$235,970)

**15. CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**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.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**16. STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 2003	\$474,431	(\$474,434)	\$113,449
Current year set-aside requirement	328,309	328,309	
Additional money set-aside			
Current year offsets		(579,698)	
Qualifying disbursements	(378,619)		
<b>Total</b>	<u>\$424,121</u>	<u>(\$725,823)</u>	<u>\$113,449</u>
Cash balance carried forward to FY 2005	<u>\$424,121</u>	<u>(\$725,823)</u>	<u>\$113,449</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. Additional monies of \$560 were designated by the school board during fiscal 2004 for budget stabilization. The balance in the budget stabilization reserve at June 30, 2004 was \$113,449 and \$253,159 in the designation.

Although the District had qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may be used to reduce the set-aside requirements of future years.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2004 follows:

Amount restricted for instructional materials	\$424,121
Amount restricted for budget stabilization	113,449
Amount restricted for school bus purchases	<u>1,857</u>
<b>Total restricted assets</b>	<u><u>\$539,427</u></u>

**17. SUBSEQUENT EVENT**

**A. Land Purchase**

On August 17, 2004, the District Board authorized the purchase of 37.122 acres for \$515,592 and 26.35 acres for \$378,825. The purpose of the land purchase was to construct new schools. This purchase was made through the Permanent Improvement fund and financed through OASBO.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**17. SUBSEQUENT EVENT (Continued)**

**B. Lease-Purchase Agreement**

On August 17, 2004, the District Board approved a lease-purchase agreement to refinance certain improvements, consisting of the acquisition and construction of three modular classroom units, with a principal amount of \$921,000. This lease-purchase was financed through OASBO in the Permanent Improvement fund, and the initial lease term will end on June 30, 2005 and will renew each year until 2014.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursement</b>
<b>United States Department of Agriculture</b> <i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
Commodities	10.550	N/A		\$35,866		\$35,866
School Breakfast Program	10.553	05-PU-03 05-PU-04	\$9,579 31,912		\$9,579 31,912	
Total National School Breakfast Program			41,491		41,491	
National School Lunch Program	10.555	LL-P4-03 LL-P4-04	36,039 165,773		36,039 165,773	
Total National School Lunch Program			201,812		201,812	
Total Nutrition Cluster			243,303	35,866	243,303	35,866
Team Nutrition Grants	10.574	TW-AD-04	10,000			
Total United States Department of Agriculture			253,303	35,866	243,303	35,866
<b>United States Department of Education</b> <i>(Passed through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-03 C1-S1-04	8,364 376,996		47,003 356,607	
Total Title I Grants to Local Educational Agencies			385,360		403,610	
Special Education Cluster:						
Special Education Grants to States	84.027	6B-SD-04-P 6B-SF-04	33,750 378,294		39,751 377,444	
Total Special Education Grants to States			412,044		417,195	
<i>(Passed through Madison-Champaign Educational Service )</i>						
Special Education - Preschool Grants	84.173	PG-S1-1P	28,289		28,289	
Total Special Education Cluster			440,333		445,484	
<i>(Passed through Ohio Department of Education)</i>						
Safe and Drug-Free Schools and Communities - State Grant	84.186	DR-S1-03 DR-S1-04	1,376 9,132		4,890 10,232	
Total Safe and Drug-Free Schools and Communities - State Grant			10,508		15,122	
State Grants for Innovative Programs	84.298	C2-S1-03 C2-S1-04	12,413 9,850		13,357 2,627	
Total State Grants for Innovative Programs			22,263		15,984	
Education Technology State Grants	84.318	TJ-S1-03 TJ-S1-04	896 10,450		1,792 12,424	
Total Education Technology State Grant			11,346		14,216	
Emergency Repair Grant	84.352A	AT-S1-02 AT-S2-02 AT-S3-02	(50) (182) (65)		1,811	
Total Emergency Repair Grant			(297)		1,811	
Improving Teacher Quality State Grants	84.367	TR-S1-03 TR-S1-04	125,631		12,133 123,630	
Total Improving Teacher Quality State Grant			125,631		135,763	
Total United States Department of Education			995,144	35,866	1,031,990	35,866
<b>United States Department of Health and Human Services</b> <i>(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Medical Assistance Program	93.778	N/A	73,314		73,314	
Total U. S. Department of Health and Human Services			73,314		73,314	
Total Federal Financial Assistance			\$1,321,761	\$35,866	\$1,348,607	\$35,866

See accompanying notes to the Schedule of Federal Awards Expenditures.

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State Grants and local funds. It is assumed federal monies are expended first.

**NOTE C - MATCHING REQUIREMENTS**

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



## Auditor of State Betty Montgomery

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

Urbana City School District  
Champaign County  
711 Wood Street  
Urbana, Ohio 43078

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Urbana City School District, Champaign County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 25, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated April 25, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Betty Montgomery**  
Auditor of State

April 25, 2005



## Auditor of State Betty Montgomery

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

Urbana City School District  
Champaign County  
711 Wood Street  
Urbana, Ohio 43078

To the Board of Education:

#### Compliance

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

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

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

#### Internal Control Over Compliance

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

**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
Auditor of State

April 25, 2005

**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I CFDA # 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

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**URBANA CITY SCHOOL DISTRICT  
CHAMPAIGN 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  
MAY 31, 2005**