

**REYNOLDSBURG CITY
SCHOOL DISTRICT**
FRANKLIN COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(Audited)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005

MITCHELL BIEDERMAN, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Reynoldsburg City School District
Reynoldsburg, Ohio

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 17, 2006

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REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

We have audited the accompanying financial statements of the governmental activities, each major fund, each component unit, and the aggregate remaining fund information of the Reynoldsburg City School District, Franklin County (the "District"), as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Reynoldsburg City School District
Page Two

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Julian & Grube, Inc.
December 16, 2005

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

The management's discussion and analysis of the Reynoldsburg City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$3,163,098 which represents a 12.72% increase from 2004.
- General revenues accounted for \$57,418,328 in revenue or 91.11% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,605,901 or 8.89% of total revenues of \$63,024,229.
- The District had \$59,861,131 in expenses related to governmental activities; only \$5,605,901 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$57,418,328 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and building fund. The general fund had \$50,841,025 in revenues and other financing sources and \$50,196,842 in expenditures and other financing uses. The fund balance of the general fund increased \$687,638 from \$14,143,860 to \$14,831,498.
- The debt service fund had \$29,568,563 in revenues and other financing sources and \$28,773,413 in expenditures and other financing uses. The fund balance of the debt service fund increased \$795,150 from \$1,052,230 to \$1,847,380.
- The building fund had \$22,101,165 in revenues and other financing sources and \$20,820,205 in expenditures. The fund balance of the building fund increased \$1,280,960 from \$26,783,292 to \$28,064,252.

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. The District reports three major funds: the general fund, debt service fund, and building fund.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

In the Statement of Net Assets and the Statement of Activities, the 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 14-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and building 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 17-21 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 self-insurance programs. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in two private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals. 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 25 and 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-59 of this report.

The District as a Whole

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

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

	Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 77,937,281	\$ 112,091,429
Capital assets, net	<u>51,352,387</u>	<u>32,158,233</u>
Total assets	<u>129,289,668</u>	<u>144,249,662</u>
<u>Liabilities</u>		
Current liabilities	28,053,118	65,709,936
Long-term liabilities	<u>73,201,446</u>	<u>53,667,720</u>
Total liabilities	<u>101,254,564</u>	<u>119,377,656</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	12,781,450	12,159,218
Restricted	9,823,549	29,860,945
Unrestricted (deficit)	<u>5,430,105</u>	<u>(17,148,157)</u>
Total net assets	<u>\$ 28,035,104</u>	<u>\$ 24,872,006</u>

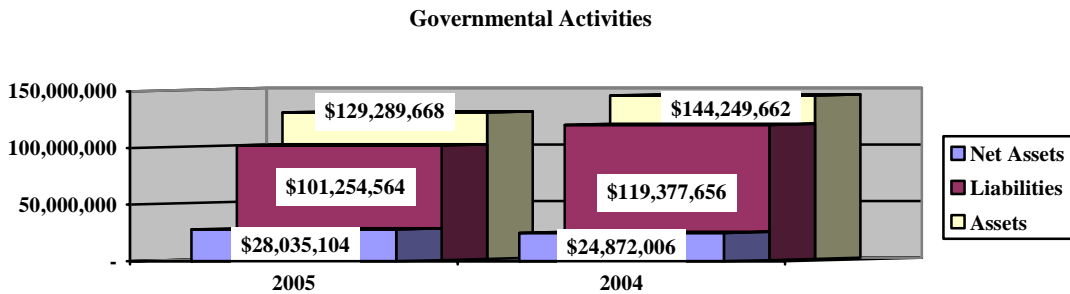
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$28,035,104.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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At year-end, capital assets represented 39.72% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$12,781,450. 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, \$9,823,549, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$5,430,105 may be used to meet the District's ongoing obligations to the students and creditors.



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

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,764,487	\$ 1,925,273
Operating grants and contributions	3,788,704	2,820,429
Capital grants and contributions	52,710	-
General revenues:		
Property taxes	25,399,117	26,900,409
Grants and entitlements	29,944,539	27,702,321
Investment earnings	1,484,133	471,925
Other	590,539	365,607
Total revenues	<u>63,024,229</u>	<u>60,185,964</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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	Change in Net Assets	
	Governmental	Governmental
	Activities	Activities
	<u>2005</u>	<u>2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 26,726,016	\$ 25,419,372
Special	4,311,863	3,666,280
Vocational	311,366	152,157
Support services:		
Pupil	6,748,669	6,167,305
Instructional staff	1,778,022	1,341,464
Board of education	55,550	121,333
Administration	4,818,867	4,342,680
Fiscal	897,589	793,036
Business	288,140	305,446
Operations and maintenance	4,356,611	3,651,465
Pupil transportation	2,913,652	1,967,782
Central	512,552	429,811
Operations of non-instructional services:		
Non-instructional services	30,128	21,774
Food service operations	1,493,442	1,379,417
Extracurricular activities	1,449,403	1,274,735
Intergovernmental pass through	342,100	308,334
Interest and fiscal charges	<u>2,827,161</u>	<u>2,356,123</u>
Total expenses	<u>59,861,131</u>	<u>53,698,514</u>
Extraordinary item - proceeds of legal judgement	<u>-</u>	<u>225,000</u>
Change in net assets	3,163,098	6,712,450
Net assets at beginning of year	<u>24,872,006</u>	<u>18,159,556</u>
Net assets at end of year	<u>\$ 28,035,104</u>	<u>\$ 24,872,006</u>

Governmental Activities

Net assets of the District's governmental activities increased \$3,163,098. Total governmental expenses of \$59,861,122 were offset by program revenues of \$5,605,901 and general revenues of \$57,418,328. Program revenues supported 9.36% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These three revenue sources represent 87.81% of the total governmental revenue. Real Estate property is reappraised every six years as well as a triennial update every three years which is usually not as significant. The most recent yearly increase to the valuation of the district was 12.8%.

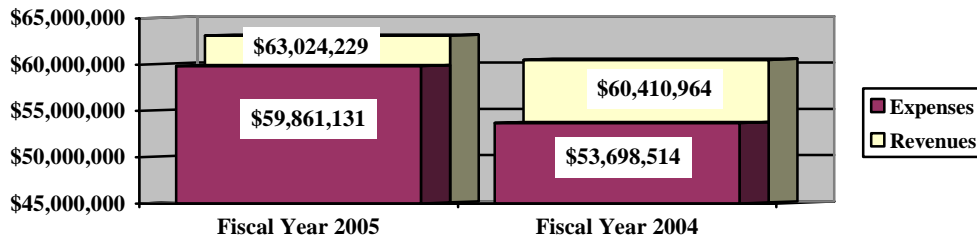
In November of 1989 voters approved a 0.5% school district income tax that generates approximately \$3.5 million each fiscal year. This represents an estimated 8% of the general fund revenue each year.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.

**Governmental Activities - Revenues and Extrarodinary Item
and Expenses**



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

Governmental Activities

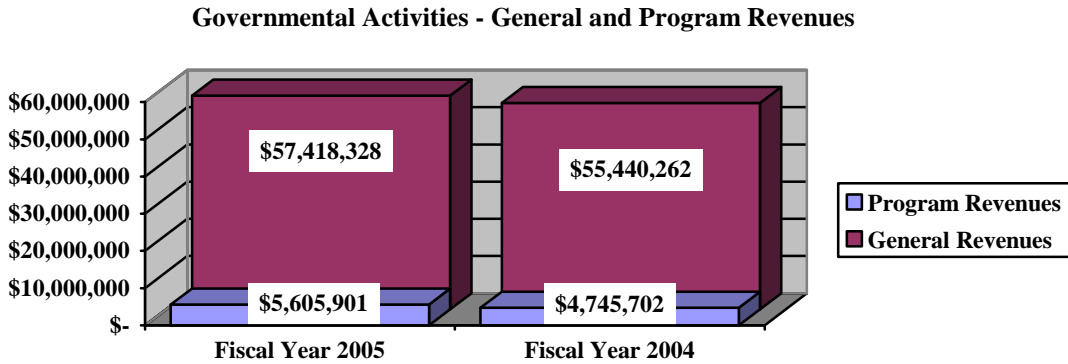
	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses				
Instruction:				
Regular	\$ 26,726,016	\$ 26,079,360	\$ 25,419,372	\$ 24,780,589
Special	4,311,863	3,133,036	3,666,280	2,719,172
Vocational	311,366	311,366	152,157	152,157
Support services:				
Pupil	6,748,669	6,336,128	6,167,305	5,907,649
Instructional staff	1,778,022	1,295,229	1,341,464	1,015,182
Board of education	55,550	55,550	121,333	121,333
Administration	4,818,867	4,698,490	4,342,680	4,138,536
Fiscal	897,589	879,829	793,036	780,620
Business	288,140	215,371	305,446	295,461
Operations and maintenance	4,356,611	4,349,953	3,651,465	3,628,554
Pupil transportation	2,913,652	2,912,235	1,967,782	1,967,782
Central	512,552	477,290	429,811	391,811
Operations of non-instructional services:				
Non-instructional services	30,128	4,254	21,774	13,787
Food service operations	1,493,442	(69,448)	1,379,417	(62,757)
Extracurricular activities	1,449,403	752,124	1,274,735	770,630
Intergovernmental pass through	342,100	(2,698)	308,334	(23,815)
Interest and fiscal charges	2,827,161	2,827,161	2,356,123	2,356,123
Total expenses	<u>\$ 59,861,131</u>	<u>\$ 54,255,230</u>	<u>\$ 53,698,514</u>	<u>\$ 48,952,814</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

The dependence upon tax and other general revenues for governmental activities is apparent, 94.18% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.64%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$47,088,542, which is higher than last year's total of \$43,801,910 (which has been restated in Note 3.A in the notes to the basic financial statements). The overall increase in fund balance is due to the issuance of \$23,950,000 in general obligation bonds during fiscal year 2005. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	<u>Increase</u>
General	\$ 14,831,498	\$ 14,143,860	\$ 687,638
Debt Service	1,847,380	1,052,230	795,150
Building	28,064,252	26,783,292	1,280,960
Other Governmental	<u>2,345,412</u>	<u>1,822,528</u>	<u>522,884</u>
Total	<u>\$ 47,088,542</u>	<u>\$ 43,801,910</u>	<u>\$ 3,286,632</u>

General Fund

During fiscal year 2005, the District's general fund balance increased \$687,638. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

	<u>2005</u>	<u>Restated</u> <u>2004</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 20,004,256	\$ 21,778,779	(8.15) %
Tuition	22,288	16,197	37.61 %
Earnings on investments	616,295	229,858	168.12 %
Intergovernmental	29,288,519	27,117,221	8.01 %
Other revenues	<u>909,667</u>	<u>683,755</u>	33.04 %
Total	<u>\$ 50,841,025</u>	<u>\$ 49,825,810</u>	2.04 %
<u>Expenditures</u>			
Instruction	\$ 28,581,457	\$ 26,965,056	5.99 %
Support services	19,925,518	18,421,189	8.17 %
Extracurricular activities	834,889	859,490	(2.86) %
Capital outlay	-	124,223	(100.00) %
Debt service	<u>258,558</u>	<u>272,670</u>	(5.18) %
Total	<u>\$ 49,600,422</u>	<u>\$ 46,642,628</u>	6.34 %

The most significant increase in revenues occurred in earnings on investments which were due to increases in interest rates by the Federal Reserve during 2005.

General Fund Budgeting Highlights

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

During the course of fiscal year 2005, the District amended its general fund budget numerous times. For the general fund, original and final budgeted revenues were \$49,758,350. Actual revenues and other financing sources for fiscal year 2005 were \$50,435,843. This represents a \$677,493 increase from the final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$49,410,366 were increased to \$50,421,345 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$50,401,397, which was \$19,948 less than the final budget appropriations.

Debt Service

During fiscal year 2005, the District's debt service fund balance increased by \$795,150. The table that follows assists in illustrating the financial activities of the debt service fund.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 4,570,774	\$ 3,992,370	14.49 %
Intergovernmental	<u>543,277</u>	<u>474,989</u>	14.38 %
Total	<u>\$ 5,114,051</u>	<u>\$ 4,467,359</u>	14.48 %
<u>Expenditures</u>			
Fiscal	\$ 48,337	\$ 40,533	19.25 %
Debt service:			%
Principal retirement	5,210,000	2,230,000	133.63 %
Interest and fiscal charges	1,959,502	2,004,346	(2.24) %
Bond issuance costs	<u>277,989</u>	<u>34,013</u>	717.30 %
Total	<u>\$ 7,495,828</u>	<u>\$ 4,308,892</u>	73.96 %
<u>Other Financing Sources</u>			
Proceeds from sale of bonds	\$ 23,950,000	\$ -	100.00 %
Premium on sale of bonds	504,512	55,555	808.13 %
Transfers out	<u>(21,277,585)</u>	<u>-</u>	(100.00) %
Total	<u>\$ 3,176,927</u>	<u>\$ 55,555</u>	5,618.53 %

Building

During fiscal year 2005, the District's building fund balance increased \$1,280,960 due to the issuance of notes. The notes were used to finance two District building projects and were retired with the issuance of bonds during fiscal year 2005. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Earnings on investments	<u>\$ 823,580</u>	<u>\$ 229,490</u>	258.87 %
<u>Expenditures</u>			
Facilities acquisition and construction	\$ 20,492,620	\$ 3,219,157	536.58 %
Interest and fiscal charges	<u>327,585</u>	<u>-</u>	100.00 %
Total	<u>\$ 20,820,205</u>	<u>\$ 3,219,157</u>	546.76 %
<u>Other Financing Sources</u>			
Proceeds from sale of notes	\$ -	\$ 4,517,118	(100.00) %
Transfers in	<u>21,277,585</u>	<u>-</u>	100.00 %
Total	<u>\$ 21,277,585</u>	<u>\$ 4,517,118</u>	371.04 %

The increase in earnings on investments was due to an increase in investments and an increase in interest rates by the Federal Reserve during 2005. The increase in facilities acquisition and construction was due to the work done on the new middle and elementary schools which were completed during the summer of 2005, after the fiscal year-end. The transfer is from the debt service fund which received the bond proceeds which were to retire the notes originally received in the building fund to fund the construction.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$50,140,461 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Land	\$ 5,732,607	\$ 5,732,607
Construction in progress	23,603,865	3,659,683
Land improvements	1,684,611	1,752,073
Building and improvements	18,621,785	19,097,316
Furniture and equipment	560,965	506,875
Vehicles	1,148,554	1,409,679
Total	\$ 51,352,387	\$ 32,158,233

The primary increase of capital assets occurred in construction in progress, resulting from the work on the construction of two new school buildings which were completed after year-end. Total additions to capital assets for 2005 were \$20,824,118. Disposals were \$110,691 (net of accumulated depreciation) in 2005. Depreciation expense in 2005 totaled \$1,519,273.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2005, the District had \$69,304,998 in general obligation bonds, general obligation notes, and energy conservation notes outstanding. Of this total, \$2,260,000 is due within one year and \$67,044,998 is due in greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2005	Governmental Activities 2004
General obligation bonds	\$ 67,776,582	\$ 45,284,148
General obligation notes	1,078,416	1,184,440
Bond anticipation notes	-	3,200,000
Energy conservation notes	450,000	490,000
Total	\$ 69,304,998	\$ 50,158,588

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

The District issued general obligation refunding bonds on August 27, 1997, in the amount of \$21,236,520. The bonds are comprised of current interest bonds and capital appreciation bonds, bear an annual interest rate ranging from 3.80% to 5.45%, and mature on December 1, 2017.

The District issued general obligation bonds on March 24, 2003, in the amount of \$29,799,979, to provide funds for improvements to school facilities. The bonds are comprised of current interest bonds and capital appreciation bonds, bear an annual interest rate ranging from 2.00% to 5.00%, and mature on December 1, 2030.

The District issued energy conservation notes during fiscal years 1993 and 1999, bearing interest rates of 5.2593% and 5.05%, respectively, for the purpose of providing energy improvements to various District buildings. The 1993 issue matured on December 1, 2002, and the final maturity of the 1999 issue is December 1, 2013.

The District issued general obligation notes for energy conservation on July 1, 2003, in the amount of \$1,317,118. These notes are comprised of current interest notes and capital appreciation notes, which bear an annual interest rate ranging from 2.00% to 5.00% and mature on December 1, 2013.

The District issued general obligation bonds in the amount of \$23,950,000 on April 6, 2005, to provide funds for construction and renovation. The 2005 bonds mature on December 1, 2032.

At June 30, 2005, the District's unvoted debt margin was \$673,646.

See Note 12 to the basic financial statements for detail on the District's debt administration.

Current Related Financial Activities

Overall the District is strong financially. The District does rely heavily upon state revenue, tax collections, grants and entitlements. Parity Aide will be a key component to the District's state funding in the upcoming biennial budget along with student enrollment growth in the years to come. Valuation growth within the District will help foster positive tax growth as well.

The District will be opening a new elementary school and a new middle school in 2006. It is not anticipated that it will take a new operational levy to open these two new schools, but the cost to do so will have an impact on the cash balance in the years to come.

The District will begin construction on the new junior high school during fiscal year 2006.

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 Mr. Mitchell Biederman, Treasurer, Reynoldsburg City School District, 7244 E. Main Street, Reynoldsburg, Ohio 43068-3585.

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**BASIC
FINANCIAL STATEMENTS**

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**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Virtual Community School of Ohio</u>	<u>A+ Arts Academy</u>
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 33,545,194	\$ 3,582,268	\$ 35,369
Investments	17,857,726	-	-
Cash in segregated accounts	6,283	-	-
Security deposit	-	1,850	-
Receivables:			
Property taxes	23,875,964	-	-
School district income tax.	1,337,562	-	-
Accounts	10,613	-	3,234
Intergovernmental	215,731	71,728	6,768
Accrued interest	303,810	-	-
Prepayments	9,977	-	-
Materials and supplies inventory	171,777	-	-
Unamortized bond issue costs	602,644	-	-
Capital assets:			
Land and construction in progress	29,336,472	-	-
Depreciable capital assets, net	22,015,915	674,266	-
Capital assets, net.	<u>51,352,387</u>	<u>674,266</u>	<u>-</u>
Total assets.	<u>129,289,668</u>	<u>4,330,112</u>	<u>45,371</u>
Liabilities:			
Accounts payable.	82,353	343,520	2,005
Contracts payable.	1,341,673	-	-
Accrued wages and benefits	6,601,283	723,879	47,826
Pension obligation payable.	1,258,089	83,675	11,940
Intergovernmental payable	388,605	50,044	10,149
Deferred revenue	17,693,671	-	-
Accrued interest payable	277,544	-	-
Claims payable	409,900	-	-
Long-term liabilities:			
Due within one year.	2,566,223	602,733	22,541
Due in more than one year.	70,635,223	1,184,463	-
Total liabilities	<u>101,254,564</u>	<u>2,988,314</u>	<u>94,461</u>
Net Assets:			
Invested in capital assets, net of related debt.	13,781,450	671,455	-
Restricted for:			
Capital projects	6,274,669	-	-
Debt service.	1,783,057	-	-
Locally funded programs.	29,731	-	-
State funded programs	46,101	693,156	-
Federally funded programs.	147,126	8,780	3,080
Student activities	174,454	-	-
Other purposes	1,342,615	-	-
Perpetual care:			
Expendable	796	-	-
Nonexpendable	25,000	-	-
Unrestricted (deficit)	<u>4,430,105</u>	<u>(31,593)</u>	<u>(52,170)</u>
Total net assets	<u>\$ 28,035,104</u>	<u>\$ 1,341,798</u>	<u>\$ (49,090)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 26,726,016	\$ 274,937	\$ 319,009	\$ 52,710
Special	4,311,863	6,163	1,172,664	-
Vocational	311,366	-	-	-
Support services:				
Pupil	6,748,669	1,865	410,676	-
Instructional staff	1,778,022	-	482,793	-
Board of education	55,550	-	-	-
Administration	4,818,867	1,940	118,437	-
Fiscal	897,589	-	17,760	-
Business	288,140	-	72,769	-
Operations and maintenance	4,356,611	6,658	-	-
Pupil transportation	2,913,652	1,417	-	-
Central	512,552	-	35,262	-
Operation of non-instructional services:				
Non-instructional services	30,128	-	25,874	-
Food service operations	1,493,442	940,263	622,627	-
Extracurricular activities	1,449,403	531,244	166,035	-
Intergovernmental	342,100	-	344,798	-
Interest and fiscal charges	2,827,161	-	-	-
Total governmental activities	<u>\$ 59,861,131</u>	<u>\$ 1,764,487</u>	<u>\$ 3,788,704</u>	<u>\$ 52,710</u>
Component Units:				
Virtual Community School of Ohio	9,494,018	-	862,070	-
A+ Arts Academy	701,627	18,072	40,223	-
Total component units	<u>\$ 10,195,645</u>	<u>\$ 18,072</u>	<u>\$ 902,293</u>	<u>\$ -</u>

General Revenues:

Property and Income taxes for:

- General purposes
- Debt service
- Capital projects
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and and Changes in Net Assets			
Primary Government		Component Units	
Governmental Activities	Virtual Community School of Ohio	A+ Arts Academy	
\$ (26,079,360)	\$ -	\$ -	-
(3,133,036)	-	-	-
(311,366)	-	-	-
(6,336,128)	-	-	-
(1,295,229)	-	-	-
(55,550)	-	-	-
(4,698,490)	-	-	-
(879,829)	-	-	-
(215,371)	-	-	-
(4,349,953)	-	-	-
(2,912,235)	-	-	-
(477,290)	-	-	-
(4,254)	-	-	-
69,448	-	-	-
(752,124)	-	-	-
2,698	-	-	-
(2,827,161)	-	-	-
(54,255,230)	-	-	-
-	(8,631,948)	-	-
-	-	(643,332)	-
-	(8,631,948)	(643,332)	-
20,012,279	-	-	-
4,632,219	-	-	-
754,619	-	-	-
29,944,539	9,670,235	590,076	-
1,484,133	63,952	-	-
590,539	2,152	4,166	-
57,418,328	9,736,339	594,242	-
3,163,098	1,104,391	(49,090)	-
24,872,006	237,407	-	-
\$ 28,035,104	\$ 1,341,798	\$ (49,090)	-

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 17,012,086	\$ 751,725	\$ 11,467,644	\$ 2,598,243	\$ 31,829,698
Investments	-	-	17,857,726	-	17,857,726
Cash in segregated accounts	6,283	-	-	-	6,283
Receivables:					
Property taxes	17,912,152	4,994,515	-	969,297	23,875,964
School district income taxes	1,337,562	-	-	-	1,337,562
Accounts	2,819	-	-	7,794	10,613
Intergovernmental	-	-	-	215,731	215,731
Accrued interest	117,249	-	186,561	-	303,810
Interfund loans	3,697	-	-	-	3,697
Prepayments	-	-	9,977	-	9,977
Materials and supplies inventory	138,661	-	-	33,116	171,777
Restricted assets:					
Equity in pooled cash and cash equivalents	172,006	-	-	-	172,006
Total assets	<u>\$ 36,702,515</u>	<u>\$ 5,746,240</u>	<u>\$ 29,521,908</u>	<u>\$ 3,824,181</u>	<u>\$ 75,794,844</u>
Liabilities:					
Accounts payable	\$ 77,312	\$ -	\$ -	\$ 5,041	\$ 82,353
Contracts payable	-	-	1,341,673	-	1,341,673
Accrued wages and benefits	6,124,681	-	-	476,602	6,601,283
Compensated absences payable	47,699	-	-	3,100	50,799
Pension obligation payable	1,186,849	-	-	71,240	1,258,089
Intergovernmental payable	362,534	-	-	26,071	388,605
Interfund loan payable	-	-	-	3,697	3,697
Deferred revenue	14,071,942	3,898,860	115,983	893,018	18,979,803
Total liabilities	<u>21,871,017</u>	<u>3,898,860</u>	<u>1,457,656</u>	<u>1,478,769</u>	<u>28,706,302</u>
Fund Balances:					
Reserved for encumbrances	870,728	-	8,949,019	320,462	10,140,209
Reserved for materials and supplies inventory	138,661	-	-	33,116	171,777
Reserved for prepayments	-	-	9,977	-	9,977
Reserved for debt service	-	754,708	-	-	754,708
Reserved for tax revenue available for appropriation	3,850,914	1,092,672	-	210,369	5,153,955
Reserved for perpetual care	-	-	-	25,000	25,000
Reserved for BWC refunds	172,006	-	-	-	172,006
Unreserved:					
Designation for budget stabilization	1,170,609	-	-	-	1,170,609
Undesignated, reported in:					
General fund	8,628,580	-	-	-	8,628,580
Special revenue funds	-	-	-	137,278	137,278
Capital projects funds	-	-	19,105,256	1,618,391	20,723,647
Permanent fund	-	-	-	796	796
Total fund balances	<u>14,831,498</u>	<u>1,847,380</u>	<u>28,064,252</u>	<u>2,345,412</u>	<u>47,088,542</u>
Total liabilities and fund balances	<u>\$ 36,702,515</u>	<u>\$ 5,746,240</u>	<u>\$ 29,521,908</u>	<u>\$ 3,824,181</u>	<u>\$ 75,794,844</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

Total governmental fund balances		\$ 47,088,542
<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.		51,352,387
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 1,004,382	
Intergovernmental revenue	134,915	
Accrued interest	146,835	
Total		1,286,132
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets.		1,133,590
Unamortized premiums on bond issuances are not recognized in the funds.		(831,101)
Unamortized bond issuance costs are not recognized in the funds.		602,644
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(277,544)
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	(2,842,476)	
General obligation notes	(1,078,416)	
General obligation bonds	(67,776,582)	
Energy conservation notes	(450,000)	
Capital lease obligation	(172,072)	
Total		(72,319,546)
Net assets of governmental activities		\$ 28,035,104

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 20,004,256	\$ 4,570,774	\$ -	\$ 773,056	\$ 25,348,086
Tuition	22,288	-	-	48,822	71,110
Charges for services	-	-	-	861,869	861,869
Earnings on investments	616,295	-	823,580	3,166	1,443,041
Extracurricular	-	-	-	609,638	609,638
Classroom materials and fees.	212,699	-	-	-	212,699
Other local revenues	696,968	-	-	97,093	794,061
Intergovernmental - state	29,198,181	543,277	-	1,186,689	30,928,147
Intergovernmental - federal	90,338	-	-	2,626,935	2,717,273
Total revenues	<u>50,841,025</u>	<u>5,114,051</u>	<u>823,580</u>	<u>6,207,268</u>	<u>62,985,924</u>
Expenditures:					
Current:					
Instruction:					
Regular	25,508,569	-	-	584,909	26,093,478
Special.	2,913,676	-	-	1,305,662	4,219,338
Vocational.	159,212	-	-	-	159,212
Support services:					
Pupil.	6,294,316	-	-	419,629	6,713,945
Instructional staff	1,205,355	-	-	497,091	1,702,446
Board of education	85,044	-	-	-	85,044
Administration.	4,649,255	-	-	132,847	4,782,102
Fiscal	816,878	48,337	-	27,373	892,588
Business	277,043	-	-	10,214	287,257
Operations and maintenance.	3,555,571	-	-	808,264	4,363,835
Pupil transportation	2,635,718	-	-	11,575	2,647,293
Central.	406,338	-	-	109,275	515,613
Operation of non-instructional services:					
Non-operational services.	-	-	-	29,982	29,982
Food service operations	-	-	-	1,460,520	1,460,520
Extracurricular activities.	834,889	-	-	555,763	1,390,652
Facilities acquisition and construction.	-	-	20,492,620	16,296	20,508,916
Intergovernmental pass through	-	-	-	342,100	342,100
Debt service:					
Principal retirement	235,520	5,210,000	-	-	5,445,520
Interest and fiscal charges	23,038	1,959,502	327,585	-	2,310,125
Bond issuance costs	-	277,989	-	-	277,989
Total expenditures	<u>49,600,422</u>	<u>7,495,828</u>	<u>20,820,205</u>	<u>6,311,500</u>	<u>84,227,955</u>
Excess of revenues over (under) expenditures.	<u>1,240,603</u>	<u>(2,381,777)</u>	<u>(19,996,625)</u>	<u>(104,232)</u>	<u>(21,242,031)</u>
Other financing sources (uses):					
Transfers in	-	-	21,277,585	596,420	21,874,005
Transfers (out)	(596,420)	(21,277,585)	-	-	(21,874,005)
Premium on sale of bonds	-	504,512	-	-	504,512
Bond issuance.	-	23,950,000	-	-	23,950,000
Total other financing sources (uses)	<u>(596,420)</u>	<u>3,176,927</u>	<u>21,277,585</u>	<u>596,420</u>	<u>24,454,512</u>
Net change in fund balances	644,183	795,150	1,280,960	492,188	3,212,481
Fund balances at beginning of year (restated)					
	14,143,860	1,052,230	26,783,292	1,822,528	43,801,910
Increase in reserve for inventory.					
	43,455	-	-	30,696	74,151
Fund balances at end of year.	<u>\$ 14,831,498</u>	<u>\$ 1,847,380</u>	<u>\$ 28,064,252</u>	<u>\$ 2,345,412</u>	<u>\$ 47,088,542</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

Net change in fund balances - total governmental funds		\$ 3,212,481
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital asset additions	\$ 20,806,692	
Current year depreciation	<u>(1,519,273)</u>	
Total		19,287,419
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. On the statement of activities, a gain or loss is reported for each disposal.		
		(93,265)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	51,031	
Intergovernmental	(53,818)	
Accrued interest	<u>41,092</u>	
Total		38,305
Governmental funds report expenditures for inventory when purchased, however on the statement of activities they are reported as an expense when consumed.		
		74,151
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets.		
		5,445,520
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		(484,501)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		260,493
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest	(113,141)	
Accreted interest on capital appreciation bonds	<u>(406,410)</u>	
Total		(519,551)
The issuance of of bonds and notes are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(23,950,000)
Internal service fund for self- insurance is not reported in the expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.		
		118,492
Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(226,446)</u>
Change in net assets of governmental activities		<u><u>\$ 3,163,098</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 19,278,609	\$ 19,278,609	\$ 19,537,879	\$ 259,270
Tuition	21,992	21,992	22,288	296
Earnings on investments	491,132	491,132	497,737	6,605
Classroom materials and fees	209,876	209,876	212,699	2,823
Other local revenues	791,284	791,284	801,926	10,642
Intergovernmental - state	28,810,718	28,810,718	29,198,181	387,463
Intergovernmental - federal	154,739	154,739	156,819	2,080
Total revenues	<u>49,758,350</u>	<u>49,758,350</u>	<u>50,427,529</u>	<u>669,179</u>
Expenditures:				
Current:				
Instruction:				
Regular	26,517,082	26,939,848	26,116,186	823,662
Special	2,994,894	3,042,642	2,876,651	165,991
Vocational	162,791	165,386	160,451	4,935
Support services:				
Pupil	5,504,352	5,592,109	6,323,683	(731,574)
Instructional staff	1,099,403	1,116,931	1,208,841	(91,910)
Board of education	86,490	87,869	84,991	2,878
Administration	4,402,648	4,472,840	4,630,189	(157,349)
Fiscal	800,042	812,797	816,534	(3,737)
Business	275,072	279,458	282,745	(3,287)
Operations and maintenance	3,728,658	3,788,105	3,699,076	89,029
Pupil transportation	2,545,043	2,585,619	2,754,024	(168,405)
Central	419,034	425,715	364,152	61,563
Extracurricular activities	1,075,603	888,805	860,654	28,151
Total expenditures	<u>49,410,366</u>	<u>50,198,124</u>	<u>50,178,177</u>	<u>19,947</u>
Excess of revenues over (under) expenditures	<u>347,984</u>	<u>(439,774)</u>	<u>249,352</u>	<u>689,126</u>
Other financing sources (uses):				
Transfers in	-	-	1,800	1,800
Transfers (out)	-	(223,221)	(223,220)	1
Advances in	-	-	6,474	6,474
Refund of prior year expenditure	-	-	40	40
Total other financing sources (uses)	<u>-</u>	<u>(223,221)</u>	<u>(214,906)</u>	<u>8,315</u>
Net change in fund balance	347,984	(662,995)	34,446	697,441
Fund balance at beginning of year	15,483,791	15,483,791	15,483,791	-
Prior year encumbrances appropriated	748,107	748,107	748,107	-
Fund balance at end of year	<u>\$ 16,579,882</u>	<u>\$ 15,568,903</u>	<u>\$ 16,266,344</u>	<u>\$ 697,441</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	Governmental Activities - Internal Service Funds
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 1,543,490
Total assets	<u>1,543,490</u>
Liabilities:	
Claims payable	<u>409,900</u>
Total liabilities	<u>409,900</u>
Net assets:	
Unrestricted.	<u>1,133,590</u>
Total net assets	<u><u>\$ 1,133,590</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 4,999,653
Total operating revenues	<u>4,999,653</u>
 Operating expenses:	
Purchased services	654,315
Claims expense	4,226,846
Total operating expenses	<u>4,881,161</u>
 Operating income	 118,492
 Net assets at beginning of year	 <u>1,015,098</u>
 Net assets at end of year	 <u><u>\$ 1,133,590</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Governmental Activities - Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 4,999,653
Cash payments for purchased services	(654,315)
Cash payments for claims.	<u>(4,240,846)</u>
Net cash provided by operating activities	<u>104,492</u>
Net increase in cash and cash equivalents	104,492
Cash and cash equivalents at beginning of year. . .	<u>1,438,998</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,543,490</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 118,492
Changes in assets and liabilities:	
Decrease in claims payable	<u>(14,000)</u>
Net cash provided by operating activities	<u><u>\$ 104,492</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 91,483	\$ 72,076
Total assets	91,483	\$ 72,076
Liabilities:		
Accounts payable	-	\$ 1,743
Intergovernmental payable	-	274
Due to students	-	70,059
Total liabilities	-	\$ 72,076
Net Assets:		
Held in trust for scholarships	91,483	
Total net assets	\$ 91,483	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2,023
Gifts and contributions.	29,654
	31,677
Total additions.	31,677
Deductions:	
Scholarships awarded	18,778
	18,778
Change in net assets	12,899
	12,899
Net assets at beginning of year.	78,584
Net assets at end of year	\$ 91,483

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Reynoldsburg City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 43rd largest by enrollment among the 614 public school districts in the state. The District employs 255 non-certified and 501 certified employees to provide services to approximately 6,780 students and community groups. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access to organizations' resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has two 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:

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

DISCRETELY PRESENTED COMPONENT UNITS

Virtual School of Ohio

The Virtual School of Ohio (the "VCS") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The VCS is a new conversion school that addresses the needs of students who desire a program of online instruction in an independent environment that does not include the most ancillary components of a more traditional education. The VCS is governed by a Board of Trustees. The VCS Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. The District is able to impose its will upon the operations for the VCS, therefore, the financial activity of the VCS are presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the VCS at 6100 Channingway Blvd., Reynoldsburg, Ohio 43065.

A+ Arts Academy

The A+ Arts Academy (the "Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapter 1702. The Academy is a new conversion school that offers an opportunity for students that show a strong interest or talent in the visual arts. The Academy is governed by a Board of Trustees. The Academy Board of Trustees may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. The District is able to impose its will upon the operations for the Academy, therefore, the financial activity of the Academy are presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 6100 Channingway Blvd., Reynoldsburg, Ohio 43065.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component units can be found in their separately issued financial statements.

JOINTLY GOVERNED ORGANIZATION

Metropolitan Education Council (MEC)

The MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board.

PUBLIC ENTITY RISK 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 "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

Debt Service Fund - This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

Building Fund - This fund used to account for monies received and expended in connection with the renovation and construction of District buildings.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service funds of the District account for self-insurance programs.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds include two private-purpose trusts which account 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

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 economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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 funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

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 funds are 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 funds are reported using the economic resources measurement focus. The 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 on the fund financial statements. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

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

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

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

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Franklin 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 amounts reported as the original and final budgeted amount in the budgetary statement reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

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 appropriations totals.

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted. The final budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District other than in segregated accounts 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 and Cash Equivalents" on the basic financial statements.

During fiscal year 2005, investments were limited to federal agency securities, certificates of deposit, a repurchase agreement, and the State Treasury Asset Reserve (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2005 amounted to \$616,295, which includes \$125,629 assigned from other District funds.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

The District has segregated bank accounts for petty cash monies held separate from the District’s central bank account. These interest bearing depository accounts are presented on the combined balance sheet as “Cash in Segregated Accounts” since they are not required to be deposited into the District’s treasury.

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

An analysis of the District’s investments at fiscal year-end is provided in Note 4.

G. Inventory

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

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

H. Capital Assets

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

All capital assets are 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 \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

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 type activities columns of 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, 2005, 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 with at least ten years of service 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, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Prepayments

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

L. 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.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

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 and notes are recognized as a liability on the fund financial statements when due.

M. Fund Reserves/Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, perpetual care and Bureau of Workers' Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute. The amount set-aside by the Board for budget stabilization is reported as a designation of fund balance in the general fund.

N. Parochial School

St. Pius Catholic School operates within the District's boundaries. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. These activities are reported as a governmental activity of the District.

O. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for BWC refunds. See Note 19 for details.

P. 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.

Q. Net Assets

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

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

R. Operating Revenues and Expenses

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

S. 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 funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

T. 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. Extraordinary and special item transactions did not occur during fiscal year 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 14,540,955	\$ 1,052,230	\$ 26,783,292	\$ 1,855,511	\$ 44,231,988
GASB Technical Bulletin No. No. 2004-2	<u>(397,095)</u>	<u>-</u>	<u>-</u>	<u>(32,983)</u>	<u>(430,078)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 14,143,860</u>	<u>\$ 1,052,230</u>	<u>\$ 26,783,292</u>	<u>\$ 1,822,528</u>	<u>\$ 43,801,910</u>

B. Deficit Fund Balances

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

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Food Service	\$ 47,124
Summer School	20,386
EMIS	184
Miscellaneous State Grants	1,556
Title VI-B	12,077
Title I	40,196
Title II	1,385
EHA Preschool Grant	4,699
Reducing Class Size	12,447

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 result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash in Segregated Accounts

At fiscal year-end, the District had \$6,283 in depository accounts for petty cash bank accounts related to the District's buildings. The balance in these depository accounts are included in the amount of "deposits" reported below.

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$862,071, exclusive of the \$54,998 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$2,492,726 of the District's bank balance of \$2,592,726 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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

C. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
FHLB	\$ 1,994,384	\$ 1,994,384	\$ -
FHLB DN	1,995,007	1,995,007	-
FNMA DN	5,947,052	5,947,052	-
FNMA	3,978,946	2,988,816	990,130
FHLMC DN	17,834,467	17,834,467	-
FHLMC	1,984,292	-	1,984,292
Repurchase Agreement	54,998	54,998	-
Star Ohio	16,915,262	16,915,262	-
	<u>\$ 50,704,408</u>	<u>\$47,729,986</u>	<u>\$ 2,974,422</u>

The weighted average maturity of investments is .18 years.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: The District's investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 1,994,384	3.93
FHLB DN	1,995,007	3.93
FNMA DN	5,947,052	11.73
FNMA	3,978,946	7.85
FHLMC DN	17,834,467	35.17
FHLMC	1,984,292	3.91
Repurchase Agreement	54,998	0.11
Star Ohio	<u>16,915,262</u>	<u>33.37</u>
	<u>\$ 50,704,408</u>	<u>100.00</u>

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

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

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 862,071
Investments	50,704,408
Cash in segregated accounts	<u>6,283</u>
Total	<u>\$ 51,572,762</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 51,409,203
Private-purpose trust funds	91,483
Agency funds	<u>72,076</u>
Total	<u>\$ 51,572,762</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances consisted of the following at June 30, 2005, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 3,697

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

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

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

<u>Transfers to Nonmajor Governmental funds from</u>	<u>Amount</u>
General Fund	\$ 596,420
 <u>Transfers to Building Fund from:</u>	
Debt Service Fund	<u>21,277,585</u>
 Total Transfers	 <u>\$ 21,874,005</u>

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

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

NOTE 6 - PROPERTY TAXES

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

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

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

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

The amount available as an advance at June 30, 2005 was \$3,850,914 in the general fund, \$1,092,672 in the debt service fund and \$210,369 in the nonmajor governmental funds. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$3,488,344 in the general fund, \$680,951 in the debt service fund and \$316,498 in the nonmajor governmental funds. The amount available as advance can vary depending upon when tax bills are sent by the County Auditor.

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.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 614,903,350	92.75	\$ 636,233,100	94.44
Public utility personal	28,807,520	4.35	17,833,260	2.65
Tangible personal property	<u>19,228,883</u>	<u>2.90</u>	<u>19,579,464</u>	<u>2.91</u>
Total	<u>\$ 662,939,753</u>	<u>100.00</u>	<u>\$ 673,645,824</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 58.21		\$ 59.63	

NOTE 7 - INCOME TAX

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. School District income tax revenue for fiscal year 2005 totaled \$3,640,896 and is credited to the general fund.

NOTE 8 - RECEIVABLES

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

Governmental Activities:	
Income taxes	\$ 23,875,964
School district income tax	1,337,562
Accounts	10,613
Accrued interest	303,810
Intergovernmental	<u>215,731</u>
Total	<u>\$ 25,743,680</u>

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

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 5,732,607	\$ -	\$ -	\$ 5,732,607
Construction in progress	<u>3,659,683</u>	<u>19,961,608</u>	<u>(17,426)</u>	<u>23,603,865</u>
Total capital assets, not being depreciated	<u>9,392,290</u>	<u>19,961,608</u>	<u>(17,426)</u>	<u>29,336,472</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,700,642	19,733	-	3,720,375
Buildings and improvements	35,402,397	543,612	-	35,946,009
Furniture and equipment	1,399,650	299,165	(246,806)	1,452,009
Vehicles	<u>3,201,846</u>	<u>-</u>	<u>-</u>	<u>3,201,846</u>
Total capital assets, being depreciated	<u>43,704,535</u>	<u>862,510</u>	<u>(246,806)</u>	<u>44,320,239</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,948,569)	(87,195)	-	(2,035,764)
Buildings and improvements	(16,305,081)	(1,019,143)	-	(17,324,224)
Furniture and equipment	(892,775)	(151,810)	153,541	(891,044)
Vehicles	<u>(1,792,167)</u>	<u>(261,125)</u>	<u>-</u>	<u>(2,053,292)</u>
Total accumulated depreciation	<u>(20,938,592)</u>	<u>(1,519,273)</u>	<u>153,541</u>	<u>(22,304,324)</u>
Governmental activities capital assets, net	<u>\$ 32,158,233</u>	<u>\$ 19,304,845</u>	<u>\$ (110,691)</u>	<u>\$ 51,352,387</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 687,748
Special	39,462
Vocational	151,685

Support Services:

Pupil	51,126
Instructional staff	46,263
Board of Education	32,592
Administration	96,722
Operations and maintenance	29,113
Pupil transportation	271,597
Central	2,428
Extracurricular	57,548
Food service operations	<u>52,989</u>
Total depreciation expense	<u>\$ 1,519,273</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During prior fiscal years, the District entered into capitalized leases for copiers and telecommunications equipment related to upgrading the District's wide-area network (WAN). These lease agreements meet the criteria of a 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 regular and operations and maintenance function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$1,437,509. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$235,520 by the general 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, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 100,848
2007	38,256
2008	30,708
2009	<u>23,031</u>
Total minimum lease payments	192,843
Less amount representing interest	<u>(20,771)</u>
Total	<u>\$ 172,072</u>

NOTE 11 - NOTES PAYABLE

Bond anticipation notes described below have been issued in anticipation of bonds which were issued during 2005. These notes were backed by the full faith and credit of the District. The proceeds and repayment were recorded in the building fund.

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Notes</u>			<u>Notes</u>
			<u>Outstanding</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>
			<u>06/30/04</u>			<u>06/30/05</u>
Bond anticipation notes	12/22/04	06/24/05	\$ -	\$ 3,000,000	\$ (3,000,000)	\$ -
Bond anticipation notes	04/18/05	06/24/05	-	9,150,000	(9,150,000)	-
Bond anticipation notes	04/18/05	06/24/05	-	<u>11,800,000</u>	<u>(11,800,000)</u>	-
Total BAN payable			<u>\$ -</u>	<u>\$ 23,950,000</u>	<u>\$(23,950,000)</u>	<u>\$ -</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 12 - LONG-TERM OBLIGATIONS

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

	Balance at 06/30/04	Additions	Reductions	Balance at 06/30/05	Amounts Due in One Year
Governmental Activities:					
Energy conservation notes	\$ 490,000	\$ -	\$ (40,000)	\$ 450,000	\$ 40,000
General obligation bonds	45,284,148	24,347,434	(1,855,000)	67,776,582	2,105,000
General obligation notes	1,184,440	8,976	(115,000)	1,078,416	115,000
Bond anticipation notes	3,200,000	-	(3,200,000)	-	-
Capital lease obligation	407,592	-	(235,520)	172,072	90,184
Compensated absences	2,754,940	427,143	(288,808)	2,893,275	216,039
Total governmental activities long-term liabilities	\$ 53,321,120	\$ 24,783,553	\$ (5,734,328)	72,370,345	\$ 2,566,223
Add: Unamortized premium on bond issue				831,101	
Total on statement of net assets				\$ 73,201,446	

Bond Anticipation Notes:

On January 22, 2004, the District issued \$3,200,000 in bond anticipation notes to begin various District building projects. The notes bore an annual interest rate of 2.00% and matured on December 16, 2004. In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to Be Refinanced", the bond anticipation notes were classified as long-term obligations because they were refinanced by debt that extends at least one year beyond the date of the balance sheet. The notes were retired in December 2004, with the issuance of notes for \$3,000,000 described in Note 11.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

Capital Lease Obligation: The capital lease obligation was paid from the general fund. See Note 10 for details.

- B. On August 27, 1997, the District issued refunding general obligation bonds. These bonds are general obligations of the District for which the full faith and credit of the District is 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 this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$20,625,000, and capital appreciation bonds, par value \$5,860,000. The interest rates on the current interest bonds range from 3.80% to 5.45%. The capital appreciation bonds mature on December 1, 2009 (effective interest 17.25%), December 1, 2010 (effective interest 17.25%), December 1, 2011 (effective interest 17.25%) and December 1, 2012 (effective interest 17.25%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2005 was \$611,520. A total of \$1,597,577 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2005.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2017.

The following is a schedule of activity for fiscal 2005 on the 1997 series general obligation bonds:

	Balance at <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/05</u>
Current interest bonds	\$ 14,500,000	\$ -	\$ (1,155,000)	\$ 13,345,000
Capital appreciation bonds	<u>1,872,266</u>	<u>336,831</u>	<u>-</u>	<u>2,209,097</u>
Total G.O. bonds	<u>\$ 16,372,266</u>	<u>\$ 336,831</u>	<u>\$ (1,155,000)</u>	<u>\$ 15,554,097</u>

The following is a summary of the future debt service requirements to maturity for the 1997 series general obligation bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,210,000	\$ 666,943	\$ 1,876,943	\$ -	\$ -	\$ -
2007	1,265,000	607,845	1,872,845			
2008	1,330,000	545,233	1,875,233	-	-	-
2009	1,390,000	478,578	1,868,578	-	-	-
2010	-	444,175	444,175	1,465,000	-	1,465,000
2011 - 2015	3,000,000	2,059,555	5,059,555	4,395,000	-	4,395,000
2016 - 2018	<u>5,150,000</u>	<u>430,278</u>	<u>5,580,278</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,345,000</u>	<u>\$ 5,232,607</u>	<u>\$ 18,577,607</u>	<u>\$ 5,860,000</u>	<u>\$ -</u>	<u>\$ 5,860,000</u>

- C. On March 24, 2003, the District issued general obligation bonds to provide funds for improvements to school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is 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 this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$29,455,000, and capital appreciation bonds, par value \$760,000. The interest rates on the current interest bonds range from 2.00% to 5.00%. The capital appreciation bonds mature on December 1, 2008 (effective interest 14.384%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2005 was \$344,979. A total of \$122,506 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2005.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2005 on the 2003 series general obligation bonds:

	Balance at <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/05</u>
Current interest bonds	\$ 28,505,000	\$ -	\$ (700,000)	\$ 27,805,000
Capital appreciation bonds	<u>406,882</u>	<u>60,603</u>	<u>-</u>	<u>467,485</u>
Total G.O. bonds	<u>\$ 28,911,882</u>	<u>\$ 60,603</u>	<u>\$ (700,000)</u>	<u>\$ 28,272,485</u>

The following is a summary of the future debt service requirements to maturity for the 2003 series general obligation bonds:

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 715,000	\$ 1,145,043	\$ 1,860,043	\$ -	\$ -	\$ -
2007	730,000	1,130,592	1,860,592	-	-	-
2008	745,000	1,115,842	1,860,842	-	-	-
2009	-	1,108,393	1,108,393	760,000	-	760,000
2010	760,000	1,097,942	1,857,942	-	-	-
2011 - 2015	4,165,000	5,106,577	9,271,577	-	-	-
2016 - 2020	4,990,000	4,239,739	9,229,739	-	-	-
2021 - 2025	6,185,000	3,016,032	9,201,032	-	-	-
2026 - 2030	7,735,000	1,420,305	9,155,305	-	-	-
2031 - 2036	<u>1,780,000</u>	<u>44,500</u>	<u>1,824,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 27,805,000</u>	<u>\$ 19,424,965</u>	<u>\$ 47,229,965</u>	<u>\$ 760,000</u>	<u>\$ -</u>	<u>\$ 760,000</u>

- D.** On April 6, 2005, the District issued general obligation bonds to provide funds for construction and improvements to school facilities in the amount of \$23,950,000 with a variable interest rate from 3.0% to 5.0%. These bonds are general obligations of the District for which the full faith and credit of the District is 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 this bond are recorded as an expenditure in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

The following is a schedule of activity for fiscal 2005 on the 2005 series general obligation bonds:

	Balance at <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/05</u>
General obligation bonds	<u>\$ -</u>	<u>\$ 23,950,000</u>	<u>\$ -</u>	<u>\$ 23,950,000</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2005 series general obligation bonds:

<u>Year Ended</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 180,000	\$ 1,260,220	\$ 1,440,220
2007	500,000	1,083,520	1,583,520
2008	515,000	1,069,170	1,584,170
2009	530,000	1,053,495	1,583,495
2010	545,000	1,037,097	1,582,097
2011 - 2015	3,015,000	4,873,500	7,888,500
2016 - 2020	3,680,000	4,179,800	7,859,800
2021 - 2025	4,675,000	3,156,375	7,831,375
2026 - 2030	5,965,000	1,832,125	7,797,125
2031 - 2033	4,345,000	318,625	4,663,625
Total	\$ 23,950,000	\$19,863,927	\$43,813,927

- E. During fiscal years 1993 and 1999, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmaturred obligation at year-end is accounted for in the statement of net assets.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2005:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 06/03/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/03/05</u>
Energy conservation notes	5.05%	12/01/98	12/01/13	\$ 490,000	\$ -	\$ (40,000)	\$ 450,000
Total				\$ 490,000	\$ -	\$ (40,000)	\$ 450,000

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Fiscal Year Ending</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2006	\$ 40,000	\$ 21,715	\$ 61,715
2007	45,000	19,569	64,569
2008	45,000	17,296	62,296
2009	45,000	15,024	60,024
2010	50,000	12,625	62,625
2011 - 2014	<u>225,000</u>	<u>23,609</u>	<u>248,609</u>
Total	<u>\$ 450,000</u>	<u>\$ 109,838</u>	<u>\$ 559,838</u>

- F.** On July 1, 2003, the District issued general obligation notes to provide funds for energy improvements to school facilities. These notes are general obligations of the District for which the full faith and credit of the District is 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 this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest notes, par value \$1,255,000, and capital appreciation notes, par value \$120,000. The interest rates on the current interest notes range from 2.00% to 5.00%. The capital appreciation notes mature on December 1, 2008 (effective interest 12.735%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2005 was \$62,118. A total of \$16,298 in accreted interest on the capital appreciation notes has been included in the statement of net assets at June 30, 2005.

Interest payments on the current interest notes are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2013.

The following is a schedule of activity for fiscal 2005 on the 2004 series general obligation notes:

	<u>Balance at 06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/05</u>
Current interest notes	\$ 1,115,000	\$ -	\$ (115,000)	\$ 1,000,000
Capital appreciation notes	<u>69,640</u>	<u>8,976</u>	<u>-</u>	<u>78,616</u>
Total G.O. bonds	<u>\$ 1,184,640</u>	<u>\$ 8,976</u>	<u>\$ (115,000)</u>	<u>\$ 1,078,616</u>

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2004 series general obligation notes:

<u>Year Ended</u>	<u>Current Interest Notes</u>			<u>Capital Appreciation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 115,000	\$ 29,638	\$ 144,638	\$ -	\$ -	\$ -
2007	115,000	27,338	142,338	-	-	-
2008	120,000	25,037	145,037	-	-	-
2009	-	80,280	80,280	120,000	-	120,000
2010	120,000	22,397	142,397	-	-	-
2011 - 2014	530,000	49,162	579,162	-	-	-
Total	<u>\$ 1,000,000</u>	<u>\$ 233,852</u>	<u>\$ 1,233,852</u>	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>

G. 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 effect of the debt limitations at June 30, 2005 is an unvoted debt margin of \$673,646.

NOTE 13 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from board policy, board minutes, negotiated agreements and state laws. Only the administrators and 12-month classified employees earn 10 to 20 days of vacation per year, depending upon length of service. School support personnel accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
1 to 3 Years	10 Days
4 to 7 Years	12 Days
8 to 12 Years	15 Days
13 to 16 Years	17 Days
Over 17 Years	20 Days

Vacation Pay: Upon separation from employment a full-time employee shall be entitled to compensation at his/her current rate of pay for all lawfully accrued and unused vacation leave to his/her credit at the time of separation.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 244 days for certificated employees and 242 days for classified employees.

Service Retirement: Upon retirement, employees shall receive in one lump sum, payment equal to twenty-five percent of accumulated unused sick leave. This severance payment is based upon the above schedule utilizing the employee's accumulated sick leave, up to a maximum of 244 days for certificated employees and 242 days for classified employees.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Education liability:			
Each occurrence	Indiana Insurance	\$ 2,000,000	\$ 0
Aggregate		5,000,000	0
Umbrella liability:			
Each occurrence	Indiana Insurance	5,000,000	
Aggregate		5,000,000	0
Building and contents	Indiana Insurance	89,479,300	5,000
Business auto:			
Each occurrence	Indiana Insurance	1,000,000	
Employee Benefits Liability	Core Source	500,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amount of insurance coverage from fiscal 2004.

B. Health Care Self-Insurance Program

The District provides medical coverage for its employees and is self-insured up to a stop loss limit for the cost of providing this coverage. The District is covered by a monthly cumulative stop loss of approximately \$65,000 per month, and by an annual aggregate stop loss of approximately \$2,062,895 per year. This activity is accounted for as an internal service fund.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on past experience and known balances. The liability at June 30, 2005, is not discounted. An actuary was used in determining this liability.

The claims liability is \$409,900 reported in the internal service fund at June 30, 2005, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the current and past fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2005	\$ 423,900	\$ 4,226,846	\$ (4,240,846)	\$ 409,900
2004	498,100	4,335,936	(4,410,136)	423,900

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 14 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation Group Rating Plan

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

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

NOTE 15 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$910,955, \$830,196 and \$791,270, respectively; 46% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$493,260 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT PENSION PLAN - (Continued)

B. State Teachers Retirement System

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

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$3,560,107, \$3,349,497, and \$3,160,099, respectively; 82% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$633,872 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$33,831 made by the District and \$79,052 made by plan members.

**REYNOLDSBURG CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 15 - DEFINED BENEFIT PENSION PLAN - (Continued)

C. Social Security System

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

NOTE 16 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$254,293 during fiscal 2005.

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

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

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$316,318 during the 2005 fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined 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); and
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 34,446
Net adjustment for revenue accruals	413,496
Net adjustment for expenditure accruals	(313,926)
Net adjustment for other sources/(uses)	(381,514)
Adjustment for encumbrances	<u>891,681</u>
GAAP basis	<u>\$ 644,183</u>

NOTE 18 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2005.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

The District is party to various legal proceedings. The District's management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse effect on the District's financial position.

C. 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 on its financial operations.

NOTE 19 - STATUTORY RESERVES

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

	Textbooks/ Instructional Materials	Capital Acquisition	<u>Budget Stabilization</u>	
			<u>Designated</u>	<u>Reserved</u>
Set-aside cash balance as of				
June 30, 2004	\$ (2,103,360)	\$ (30,138,900)	\$ 1,170,609	\$ 172,006
Current year set-aside requirement	936,517	936,517	-	-
Current year offsets	-	(23,950,000)	-	-
Qualifying disbursements	(1,470,437)	-	-	-
Total	<u>\$ (2,637,280)</u>	<u>\$ (53,152,383)</u>	<u>\$ 1,170,609</u>	<u>\$ 172,006</u>
Balance carried forward to FY 2006	<u>\$ (2,637,280)</u>	<u>\$ (53,152,383)</u>	<u>\$ 1,170,609</u>	<u>\$ 172,006</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve and this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. During fiscal year 2003, the District issued \$29,800,000 in capital related debt based on a building project under taken by the District. During fiscal year 2005, the District issued \$23,950,000 in capital related debt for a new building project. Those proceeds may be used to reduce the capital acquisition below zero for future years. Therefore, this negative amount is presented as being carried forward to the next fiscal year.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

NOTE 19 - STATUTORY RESERVES - (Continued)

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

Amount restricted for BWC refunds	<u>\$ 172,006</u>
Amount designated for budget stabilization	<u>\$ 1,170,609</u>

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2005, the District entered into various contractual commitments related to the building projects undertaken by the District. A summary of primary contractual commitments outstanding at June 30, 2005, follows:

<u>Contractor</u>	<u>Contractual Cost Estimate</u>	<u>Total Costs at June 30</u>	<u>Remaining Contractual Commitment</u>
George J. Igel & Co, Inc.	\$ 2,832,000	\$ (2,800,311)	\$ 31,689
Rocky Fork	156,420	(49,809)	106,611
Teemok	306,000	(235,789)	70,211
Thompson Concrete	370,314	(325,730)	44,584
Miles McClellan	3,001,269	(2,869,881)	131,388
Concord Fabrications	1,185,400	(1,149,398)	36,002
Greater Columbus Construction	434,100	(375,704)	58,396
Nu - Tec	424,000	(315,289)	108,711
LaForce	230,093	(226,878)	3,215
Thomas Glass	569,912	(518,921)	50,991
Valley Interiors	1,031,580	(984,425)	47,155
Invironmentalists	165,477	-	165,477
Bolin	96,600	-	96,600
Great Lakes	134,761	(117,394)	17,367
Farnharn	274,120	-	274,120
Kone	47,142	(42,929)	4,213
Dalmatian Fire Protection	129,800	(118,856)	10,944
Holdridge	803,500	(748,774)	54,726
CinFab Mechanical	2,318,000	(2,313,548)	4,452
Converse Electric	2,007,950	(845,247)	1,162,703
Apex/M&P Construction	293,700	(196,893)	96,807
Altman	606,855	-	606,855
Central Ohio Building	206,400	(182,914)	23,486
Saup/Hartley	581,314	(493,598)	87,716
Southwestern Tile	227,400	(198,179)	29,221
The Painting Company	89,894	(79,114)	10,780
C & T Design & Equipment	141,090	(120,392)	20,698
Southern Cabinetry Inc.	199,000	(174,098)	24,902
Gutridge Plumbing Inc.	<u>133,870</u>	<u>(118,382)</u>	<u>15,488</u>
Total	<u>\$ 18,997,961</u>	<u>\$ (15,602,453)</u>	<u>\$ 3,395,508</u>

SUPPLEMENTAL DATA

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

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A), (B) Food Donation	10.550	N/A	\$ -	\$ 44,676	\$ -	\$ 44,676
(A), (C) School Breakfast Program	10.553	047001-05PU-2004	21,028		21,028	
(A), (C) School Breakfast Program	10.553	047001-05PU-2005	86,774		86,774	
(A), (C) School Breakfast Program	10.553	047001-05RE-2004	4,287		4,287	
(A), (C) National School Lunch Program	10.555	047001-LLP4-2004	101,670		101,670	
(A), (C) National School Lunch Program	10.555	047001-LLP4-2005	374,137		374,137	
Total U.S. Department of Agriculture and Nutrition Cluster			587,896	44,676	587,896	44,676
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	047001-C1S1-2004	83,124		116,327	
Title I - Grants to Local Educational Agencies	84.010	047001-C1S1-2005	505,382		498,653	
Total Title I			588,506		614,980	
Special Education Cluster:						
(J) Special Education: Grants to States	84.027	047001-6BSF-2004	50,299		33,957	
(J) Special Education: Grants to States	84.027	047001-6BSF-2005	1,087,271		1,036,760	
Total Special Education: Grants to States			1,137,570		1,070,717	
(J) Special Education: Preschool Grants	84.173	047001-PGD7-2004-P	4,545		4,545	
(J) Special Education: Preschool Grants	84.173	047001-PGS1-2005	18,460		18,460	
Total Special Education: Preschool Grants			23,005		23,005	
Total Special Education Grant Cluster			1,160,575		1,093,722	
(E) Safe and Drug-Free Schools and Communities	84.186	047001-DRS1-2004	(8,034)		-	
Safe and Drug-Free Schools and Communities	84.186	047001-DRS1-2005	28,924		25,565	
Total Safe and Drug-Free Schools and Communities			20,890		25,565	
State Grants for Innovative Programs	84.298	047001-C2S1-2004	9,669		3,218	
State Grants for Innovative Programs	84.298	047001-C2S1-2005	49,091		62,413	
Total State Grants for Innovative Programs			58,760		65,631	
(F) Technology Literacy Challenge Fund Grants	84.318	047001-TJS1-2004	(3,086)		492	
Technology Literacy Challenge Fund Grants	84.318	047001-TJS1-2005	13,163		11,876	
Total Technology Literacy Grant Funds			10,077		12,368	
Advanced Placement Program	84.330	047001-AVTF-2005	988		988	
(G) English Language Acquisition Grants	84.365	047001-T3S1-2004	(4,880)		-	
English Language Acquisition Grants	84.365	047001-T3S1-2005	13,152		6,407	
(H) English Language Acquisition Grants	84.365	047001-T3S2-2004	(1,401)		-	
English Language Acquisition Grants	84.365	047001-T3S2-2005	1,401		1,174	
Total English Language Acquisition Grants			8,272		7,581	
Improving Teacher Quality	84.367	047001-TRSI-2004	19,450		15,912	
Improving Teacher Quality	84.367	047001-TRSI-2005	152,464		164,330	
Total Improving Teacher Quality			171,914		180,242	
Total U.S. Department of Education			2,019,982		2,001,077	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
(I) State Children's Insurance Program	93.767	N/A	3,844		3,844	
(I) Medical Assistance Program	93.778	N/A	152,975		152,975	
Total Community Alternative Funding System Program			156,819		156,819	
Total U.S. Department of Health and Human Services			156,819		156,819	
U.S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO DEPARTMENT OF HOMELAND SECURITY						
(I) Public Assistance Grants	97.036	N/A	1,799		1,799	
Total U.S. Department of Homeland Security			1,799		1,799	
Total Federal Financial Assistance			\$ 2,766,496	\$ 44,676	\$ 2,747,591	\$ 44,676

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
 (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
 (D) This schedule was prepared on the cash basis of accounting.
 (E) Amount of \$8,034 transferred to the next grant year based on Ohio Department of Education administrative action.
 (F) Amount of \$3,086 transferred to the next grant year based on Ohio Department of Education administrative action.
 (G) Amount of \$4,880 transferred to the next grant year based on Ohio Department of Education administrative action.
 (H) Amount of \$1,401 transferred to the next grant year based on Ohio Department of Education administrative action.
 (I) A pass-through number was not available for these grant awards.
 (J) Included as part of "Special Education Cluster" in determining major programs.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

We have audited the financial statements of the governmental activities, each major fund, each component unit, and the aggregate remaining fund information of the Reynoldsburg City School District, Franklin County, (the "District") as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters that we have reported to the management of the District in a separate letter dated December 16, 2005.

Board of Education
Reynoldsburg City School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a matter that we reported to management of the District in a separate letter dated December 16, 2005.

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

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

Julian & Grube, Inc.
December 16, 2005



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

Board of Education
Reynoldsburg City School District
7244 E. Main Street
Reynoldsburg, Ohio 43068-3585

Compliance

We have audited the compliance of the Reynoldsburg City School District, Franklin 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 is applicable to each major federal program for the fiscal year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance both 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 of America; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

Board of Education
Reynoldsburg City School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each major federal programs for the fiscal year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings as item 2005-RCSD-001.

Internal Control Over Compliance

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

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

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



Julian & Grube, Inc.
December 16, 2005

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for its major federal program?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for its major federal program?	No
<i>(d)(1)(v)</i>	Type of Major Program' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs:	Nutrition Cluster: Food Donation CFDA #10.550; School Breakfast CFDA #10.553; National School Lunch CFDA #10.555; Title I - Grants to Local Educational Agencies CFDA #84.010.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2005-RCSD-001
CFDA Title and Number	Nutrition Grant Cluster: Food Donation CFDA #10.550; School Breakfast CFDA #10.553; National School Lunch CFDA #10.555
Federal Award Number/Year	047001-05PU-2005; 047001-LLP4-2005
Federal Agency	U.S Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Nutrition Cluster - Verification

By December 15th of each school year, District must verify income information presented on a sample of the applications that it has approved for free or reduced price meals. The verification sample size is based on the number of approved applications on file on October 31st.

At Reynoldsburg City School District the District did not complete this grant requirement. It appears that verification requests were sent to various approved applicants, however, the number of requests sent was indeterminable. Also, the number of verifications received from applicants was indeterminable. The verifications received were not reviewed by the District's responsible parties'.

Additionally, the District was unable to support the data submitted on the School Food Authority Verification Summary Report.

We recommend the District maintain in an organized manner all verification information. Including a list of verification requests sent, how the number of requests sent was computer and if the level of income verified changed the applicants' level of service. Further, we recommend that a supervisor review the verification process each year to ensure that all procedures are being followed.

Client Response: The District will monitor the verification process for students approved for free or reduced prices.



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Betty Montgomery**

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REYNOLDSBURG CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 2, 2006**