



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

February 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

**This Page is Intentionally Left Blank.**

CHILLICOTHE CITY SCHOOL DISTRICT  
ROSS COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Federal Awards Receipts and Expenditures Schedule.....	1
Notes to the Federal Awards Receipts and Expenditures Schedule .....	2
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters as Required by <i>Government Auditing Standards</i> .....	3
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Programs, on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Federal Awards Receipts and Expenditures Schedule.....	5
Schedule of Findings .....	7
Schedule Of Prior Audit Findings and Questioned Costs .....	9

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CHILLICOTHE CITY SCHOOL DISTRICT  
ROSS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
<b>Child Nutrition Cluster:</b>						
School Breakfast Program	05-PU-2005	10.553	\$16,512	\$0	\$16,512	\$0
School Breakfast Program	05-PU-2006	10.553	90,666	-	90,666	-
Total School Breakfast Program			107,178	-	107,178	-
National School Lunch Program	LL-P1-2005	10.555	1,544	-	1,544	-
National School Lunch Program	LL-P1-2006	10.555	9,668	-	9,668	-
National School Lunch Program	LL-P4-2005	10.555	69,145	-	69,145	-
National School Lunch Program	LL-P4-2006	10.555	343,204	-	343,204	-
Total National School Lunch Program			423,561	-	423,561	-
<b>Total Child Nutrition Cluster</b>			<b>530,739</b>	<b>-</b>	<b>530,739</b>	<b>-</b>
Food Donation Program (See Note "B")	N/A	10.550	-	75,728	-	75,728
Team Nutrition Grant	TW-NT-2004	10.574	490	-	490	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>531,229</b>	<b>75,728</b>	<b>531,229</b>	<b>75,728</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1-S1-2005	84.010	(24,132)	-	191,240	-
Title I Grants to Local Educational Agencies	C1-S1-2006	84.010	686,289	-	686,389	-
Total Title I Grants to Local Educational Agencies			662,157	-	877,629	-
Special Education Grants to States	6B-SD-2005	84.027	1,120	-	-	-
Special Education Grants to States	6B-SD-2006	84.027	38,645	-	45,722	-
Special Education Grants to States	6B-SF-2005	84.027	107,228	-	93,015	-
Special Education Grants to States	6B-SF-2006	84.027	809,209	-	782,619	-
Total Special Education Grants to States			956,202	-	921,356	-
Safe and Drug Free Schools and Communities State Grant	DR-S1-2005	84.186	(841)	-	9,974	-
Safe and Drug Free Schools and Communities State Grant	DR-S1-2006	84.186	23,030	-	22,367	-
Total Safe and Drug Free Schools and Communities State Grant			22,189	-	32,341	-
Education for Homeless Children and Youth	HC-S1-2005	84.196	8,042	-	4,164	-
Education for Homeless Children and Youth	HC-S1-2006	84.196	33,888	-	32,393	-
Total Education for Homeless Children and Youth			41,930	-	36,557	-
Even Start State Educational Agencies	EV-S1-2005	84.213	5,026	-	63,442	-
State Grants for Innovative Programs	C2-S1-2005	84.298	435	-	203	-
State Grants for Innovative Programs	C2-S1-2006	84.298	10,803	-	10,456	-
Total State Grants for Innovative Programs			11,238	-	10,659	-
Education Technology State Grants	TJ-S1-2005	84.318	(929)	-	-	-
Education Technology State Grants	TJ-S1-2006	84.318	15,262	-	13,867	-
Total Education Technology State Grants			14,333	-	13,867	-
Improving Teacher Quality State Grants	TR-S1-2005	84.367	31,376	-	31,748	-
Improving Teacher Quality State Grants	TR-S1-2006	84.367	189,938	-	197,475	-
Total Improving Teacher Quality State Grants			221,314	-	229,223	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>1,934,389</b>	<b>-</b>	<b>2,185,074</b>	<b>-</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through the Ohio Department of MRDD</i>						
State Children's Insurance Program	316400384	93.767	5,891	-	5,891	-
Medical Assistance Program	316400384	93.778	38,846	-	38,846	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>44,737</b>	<b>-</b>	<b>44,737</b>	<b>-</b>
<b>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</b>						
<i>Passed Through Ohio Department of Education</i>						
Learn and Serve America School and Community Based Program	SV-S1-2006	94.004	1,505	-	1,505	-
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$2,511,860</b>	<b>\$75,728</b>	<b>\$2,762,545</b>	<b>\$75,728</b>

The accompanying notes are an integral part of this schedule

**CHILICOTHE CITY SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION PROGRAM**

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

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





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chillicothe City School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 20, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated December 20, 2006, we reported other matters related to noncompliance we deemed immaterial.

Chillicothe City School District  
Ross County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

December 20, 2006



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Chillicothe City School District, Ross County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated December 20, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 20, 2006.

### **Federal Awards Receipts and Expenditures Schedule**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chillicothe City School District, Ross County, Ohio, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 20, 2006. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying federal awards receipts and expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



**Betty Montgomery**  
Auditor of State

December 20, 2006

**CHILLICOTHE CITY SCHOOL DISTRICT  
ROSS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster: 10.553 - School Breakfast Program and 10.555 - National School Lunch Program  84.027 - Special Education Grants to States  84.367 - Improving Teacher Quality State Grants
<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?	No

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

None

CHILLICOTHE CITY SCHOOL DISTRICT  
ROSS COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	<b>2006-001</b>
-----------------------	-----------------

**Report Submission**

2 CFR Part 225 (formerly known as OBM Circular A-133, § 320) states in pertinent part that the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report (s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The District received the auditor's report on March 10, 2006. As of August 30, 2006, the Board had not submitted the fiscal year 2005 data collection form and reporting package to the Federal Clearinghouse within the required time period of 30 days after receipt of the auditor's report. The Board did not have an agreement with the cognizant agency to extend the required submission date. This resulted in the Board being a high risk auditee per 2 CFR Part 225 (formerly known as OMB Circular A-133 section 530).

We recommend that the Board submit the 2005 data collection form and the reporting package to the Federal Clearinghouse immediately. In the future, the Board should have procedures in place to make sure the information is submitted within the required time frame.

**Officials' Response:**

The Treasurer believes that this comment should be a management letter comment since this was his first year in this position with the District and the District has consistently filed this information in the past. Furthermore, once the District became aware of the discrepancy they sent the documents promptly by certified mail on August 30, 2006, which was received by the Clearinghouse on September 1, 2006. Finally, they have proactively created a Treasurer's calendar to ensure that they file the reports and follow up by reviewing the filing by the deadline.

**Auditor of State's Analysis:**

As noted above, the District did not submit their federal report until August 30, 2006; which is more than 30 days after they received their financial report. Pursuant to the guidance provided by the federal regulations, which requires that the untimely submission of the federal report be reported as a material non-compliance and that the District shall not be considered a low risk auditee, the Auditor of State believes the comment shall remain as a material non-compliance. Furthermore, as communicated in the transmittal letter, the Auditor of State has taken the necessary steps to communicate to the District the requirements of filing the federal report in a timely manner.

**CHILLICOTHE CITY SCHOOL DISTRICT  
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Student files tested did not have a current IEP in place for the fiscal year ended June 30, 2005. Additionally, the IEP's on file contained some of the signatures, but not all the required signatures.	No	Management letter comment issued in current period.
2005-002	The District charged an employee's retirement and severance payout of \$37,953 upon retirement from the Special Education Grant. This payout was not specifically approved by the cognizant federal agency.	Fully Corrected	





# **Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2006**

**CHILlicothe CITY SCHOOL DISTRICT**

**235 Cherry Street Chillicothe, Ohio 45601**



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

For the fiscal year ended  
June 30, 2006

**Board of Education**

J. Jeffrey Benson.....President  
Randy Drewyor.....Vice-President  
Jeff Hartmus.....Member  
Sheryl McCorkle .....Member  
Stephen Mullins .....Member

**Superintendent of Schools**

Roger Crago

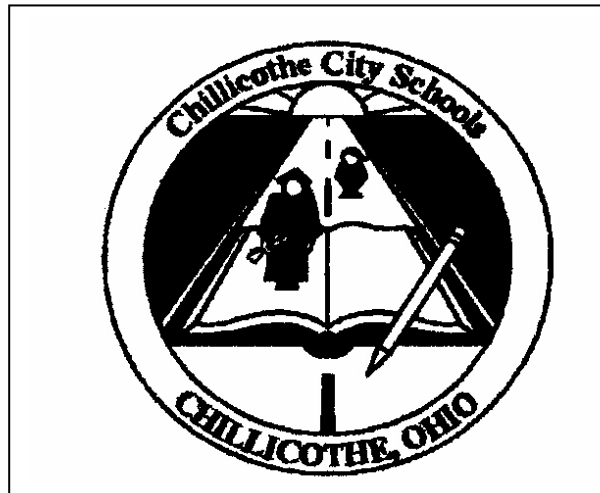
**Issued by the Treasurer's Office**

John D. Rose, CPA  
Treasurer





# CHILlicothe CITY SCHOOL DISTRICT



## INTRODUCTORY SECTION



Chillicothe City School District, Ohio  
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2006

Table of Contents

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Combining Statements – Nonmajor Governmental Funds:

Fund Descriptions .....	51
Combining Balance Sheet – Nonmajor Governmental Funds.....	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	55
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	62
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	69
Balance Sheet – Nonmajor Permanent Fund.....	70
Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Permanent Fund.....	71
Fund Descriptions – Agency Funds.....	72
Statement of Changes in Assets and Liabilities – Agency Funds.....	73

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

and Actual.....	74
Debt Service Fund.....	75
Construction Fund.....	75
Food Service Fund.....	76
Uniform School Supplies Fund.....	76
Rotary Fund.....	76
Public School Support Fund.....	77
Other Local Grants Fund.....	77
District Managed Activities Fund.....	77
Auxiliary Service Fund.....	78
Teacher Development Fund.....	78
Education Management Information Fund.....	78
Public School Preschool Fund.....	79
OneNet Network Fund.....	79
Schoolnet Training Fund.....	79
Ohio Reads Fund.....	80
Poverty Based Aid Fund.....	80
Miscellaneous State Grant Fund.....	80
Title VI-B Fund.....	81
Title I Fund.....	81
Title VI Fund.....	81



Drug Free School Fund.....	82
Improving Teacher Quality Fund.....	82
Miscellaneous Federal Grant Fund.....	82
Permanent Improvement Fund.....	83
Alumni Library Fund.....	84

STATISTICAL SECTION

Net Asset by Component – Governmental Activities.....	S-1
Changes in Net Assets of Governmental Activities.....	S-2
Fund Balances, Governmental Funds.....	S-4
Changes in Fund Balances, Governmental Funds.....	S-6
Assessed and Estimated Actual Value of Taxable Property.....	S-8
Property Tax Rates – Direct and Overlapping Governments (Scioto Township).....	S-10
Property Tax Rates – Direct and Overlapping Governments (City of Chillicothe).....	S-12
Property Tax Levies and Collections.....	S-14
Principal Taxpayers – Real Estate Tax.....	S-15
Principal Taxpayers – Tangible Personal Property Tax.....	S-16
Principal Taxpayers – Public Utilities Tax.....	S-17
Ratio of Outstanding Debt by Type.....	S-18
Ratio of General Bonded Debt Outstanding.....	S-19
Ratio of Debt to Assessed Value and Debt per Capita.....	S-20
Computation of Direct and Overlapping Debt Attributable to Governmental Activities.....	S-22
Computation of Legal Debt Margin.....	S-24
Demographic and Economic Statistics.....	S-26
Principal Employers.....	S-27
School District Employees by Function/Program.....	S-28
Operating Statistics.....	S-29
Building Statistics.....	S-30



# Chillicothe City Schools

235 Cherry Street  
Chillicothe, Ohio 45601-2350  
(740) 775-4250  
Fax (740) 775-4270

December 20, 2006

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

As the Superintendent and Treasurer of the Chillicothe City School District (the District), we are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) issued by the District. This CAFR, for the fiscal year ended June 30, 2006, is prepared in accordance with accounting principles (GAAP) generally accepted in the United States of America.

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

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

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

***THE DISTRICT AND ITS FACILITIES***

Chillicothe is the county seat of Ross County with a population of approximately 22,041 residents. The city was the capital city of the Northwest Territory in 1787, and then became Ohio’s first capital in 1803. The name Chillicothe comes from the Shawnee Indians and means “hometown”. Located 45 miles south of Columbus, Chillicothe is home for a branch campus of Ohio University and the Tecumseh outdoor drama production.

The Chillicothe City School District is one of seven school districts in Ross County. With 3,069 pupils, it has the largest enrollment in the county. It also is by far the smallest district in the county geographically, encompassing just 22 square miles. The District operates seven school facilities, which includes one high school for grades 9-12, one middle school for grades 6-8, three elementary schools for grades K-5, one elementary school for grades K-6, plus a central administration building which also houses a county-wide preschool program for approximately 100 pupils as well as a young fives half-day kindergarten class. The School District also operates one maintenance building and one bus garage.

Slightly more than 42.5% of the District’s student body qualifies for free or reduced-priced lunches. Mt. Logan Elementary & Tiffin Elementary Schools provide free lunches to more than 60% of their students. The District serves lunch to 80% of the student population daily. All seven school facilities offer breakfast programs. However, only 21% of the student population participates in the program. Approximately 29% of the students in Chillicothe are participants of the Ohio Works First (OWF) program.

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

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

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

***ORGANIZATION OF THE DISTRICT***

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

The current Board members, their terms, and years on the Board as of June 30, 2006 are:

<u>Board Member</u>	<u>Term</u>	<u>Years on Board</u>
Mrs. Sheryl McCorkle	1/1/04 - 12/31/07	2½ Years
Mr. Jeff Hartmus	1/1/04 - 12/31/07	2½ Years
Mr. J. Jeffrey Benson	1/1/06-12/31/09	½ Year
Mr. Steve Mullins	1/1/06-12/31/09	½ Year
Mr. Randy Drewyor	1/1/06-12/31/09	½ Year

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

The Treasurer is the chief financial officer of the District and is directly responsible to the Board for all financial operations, investments, custody of all District funds and assets and serves as Secretary to the Board. On June 13, 2005, the Board hired Mr. John D. Rose as Treasurer. Mr. Rose's initial contract runs from July 1, 2005 though the date of the organizational meeting in January, 2008.

### ***ECONOMIC CONDITION AND OUTLOOK***

The city's largest employer is the Glatfelter Company. Glatfelter purchased the former New Page/MeadWestvaco plant in 2006 which employs approximately 1,600 area residents. Prior to the sale, in 2005 the New Page entity reassessed its personal property valuations which resulted in a \$10.5 million reduction in stated tangible values effective for the 2005 tax year. This reduction caused a drop in the District's local tangible tax revenue collections in fiscal year 2006. Although the valuation reduction is significant, Glatfelter remains the District's largest taxpayer and provides a foundation of stability for the District. In addition, a strong mix of commercial and residential property also provides further stability to the District's tax base. In 1996, Lowe's, Wal-Mart and Kmart all built stores within District boundaries which added to the District's revenue collections beginning in fiscal 1998.

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

### ***EMPLOYEE RELATIONS***

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

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

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

## **SERVICES PROVIDED**

The Chillicothe City Schools exist to provide an educational program which equips students to be lifelong learners and responsible citizens who can function in and contribute to the world in which they live. Students attain competency in core subjects, develop each student's self esteem, have an appreciation of the arts, and develop positive social relationships. The District strives to prepare students for a world of work driven by new technology. The District is a member of the North Central Association, which sets high standards of excellence for its members. Also, Worthington Elementary received an Excellent rating on the 2006 Ohio Department of Education Report Card and received the School of Promise Award. Allen Elementary, Tiffin Elementary, Smith Middle School and Chillicothe High School received 2006 Effective designations and Mt. Logan Elementary received Continuous Improvement ratings. Overall, the District received an Effective designation for the third year.

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

All children entering kindergarten are assessed to determine their developmental learning level. Results of assessments are used to make recommendations to parents regarding proper placement in kindergarten programs: all-day kindergarten or half-day early five's kindergarten. All of the District's elementary schools operate full-day kindergarten programs. Both kindergarten programs include readiness skills in mathematics, reading, and language arts. Handwriting, science, and social studies concepts are also an integral part of daily activities.

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

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

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

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

Chillicothe High School also has Distance Learning Programming available. These programs are designed to permit students from different school districts to receive classroom instruction through interactive video transmissions. The CHS drama productions, choirs, instrumental music groups, marching band, flag corps, and competition cheerleaders have received many state and national awards. The Language Arts' Broadcasting classes produce a local news show for the school and occasionally broadcast over the community's Cablevision station. The students, under the supervision of the language arts teacher, write the script and then deliver the show. Special events are covered as well as newsworthy stories. Two local radio stations and the local newspaper, the Chillicothe Gazette, are in partnership with the school and provide news services to the student producers.

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

### ***MAJOR INITIATIVES AND EVENTS-FISCAL YEAR 2006***

#### ***Continuing Operating Levy***

On May 5, 2005, District residents approved a 6 mill continuing Operating Levy. Proceeds of the levy will enable the District to continue its current programs and services. The levy generates approximately \$2.8 million per year. This additional revenue will help the District balance against further losses due to declining student enrollment and further reductions due to the loss of the tangible personal property values.

#### ***Budget Balancing Measures***

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

#### ***Sale of Real Property***

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

#### ***Continuous Improvement Plan (CIP)***

The District adopted a revised three-year Continuous Improvement Plan (CIP) in 2006 after studying data that showed the educational needs of the District. The No Child Left Behind (NCLB) federal legislation, as well as the Adequate Yearly Progress (AYP) piece of the NCLB legislation required additional data collection and analysis, which reinforced the educational needs identified. The District's safety plan and technology plan are incorporated in the Continuous Improvement Plan. The CIP serves as the District's decision-making document. The document also serves as a planning tool for teachers' continuing professional development.

#### ***Financial Planning***

Although the District has engaged in long-range financial forecasting for quite some time, legislation mandated this for all schools in the State. The requirement specified the format of the forecast, which has helped develop a consistency in reporting between districts. Each district must submit its five-year forecast at least annually to the Ohio Department of Education for monitoring purposes. Because the District's forecast indicated the potential for a negative balance by June 30, 2004, the District was placed in a fiscal caution status by the Ohio Department of Education in December 2003. Despite the passage of the new 6 mill operating levy, the District remains in fiscal caution due to the continued decline in enrollment. The Department of Education, Division of School Finance conducts monthly reviews of the District's financial condition. The five-year forecast provided the roadmap for the District's leadership to enact reduction measures to balance the budget and meet the state's requirement to end the year without borrowing. Since the reductions made were in advance of major financial difficulties, the District was able to preserve the fabric and content of its curricular and co-curricular programs. In addition, the forecast serves as the basis for determining whether a district has the financial capacity to enter into significant contracts having multi-year implications. Chillicothe has been pro-active in this area by taking the approach of reviewing and updating (if warranted) its five-year forecast monthly. This process insures that the District's leadership is well-informed of its financial status before making any critical decisions.

### ***Curriculum Development***

Curriculum development is an ongoing activity in the District. On a rotating five-year cycle, each curricular area is reviewed and revisions are made to ensure that state-of-the-art practices and programs are available for students. The District closely follows the Ohio Department of Education's model curriculums. Additionally, the curriculum development process model contains a Five-Year Professional Development plan, the integration of technology and multiculturalism, and student assessment practices. During the 2005-06 school year, the Curriculum Director and staff reviewed and revised the District's social studies scope and sequence and purchased textbooks that supported the curriculum. Revisions were based upon current performance indicators, as well as State and National model recommendations. The District has aligned all course offerings with the new State content standards in preparation for the State's assessment program for grades 3 – 8 and the Ohio School Graduation Test.

### ***Summer School***

Over 500 students enrolled in the District's 2006 summer school program. Courses in Physical Education and Health were offered for credit at the high school level. Remedial courses or repeat sessions for credit were offered to middle and high school students who had failed a course in the 2005-06 school year. Students who did not meet exit standards for the elementary grades had Specialized Summer Intervention Plans which were developed collaboratively by the teacher and the parent.

Preparation for the Third Grade Reading State Achievement Test, the Ohio Graduation Test, and the Ninth Grade Proficiency Test was offered during the summer of 2006 to students who had failed portions of the State tests. A special six-week proficiency intervention session was offered to grades 1 through 5. This program, funded by the Ohio Department of Education and Federal grants, extended student learning. In addition, a three-week Jump Start Program was offered to students entering kindergarten.

### ***Accelerated Reader***

The District adopted the Accelerated Reader Program as a means of increasing reading interest, and achievement. SchoolNet and Title II Technology grant money, as well as the District's own technology budget have provided new computers for the District's buildings to help with the program. Students read books at their level and take a test via computer to determine their level of comprehension. The test requires students to think at higher levels and also helps to assess vocabulary development. Students can see their growth and progress over the course of a year. Teachers can obtain daily or weekly assessments of each student's progress. The student's strengths and weaknesses provide the teacher with a direction for instruction.

### ***Alternative Schooling Options***

The District has partnered with Scioto Valley Mental Health to offer an Evening School for ninth and tenth grade students who have not adjusted to a high school schedule. These students may be involved in drugs and alcohol outside the school setting and as a result may not be able to handle the demands of a high school learning environment. Students earn four core academic credits plus receive an hour of counseling each evening. The District also offers a Virtual Learning Program for families who want to work with their children at home, but desire District credit. Virtual Learning has course offerings for grades 3 through 12.

## ***MAJOR INITIATIVES FOR THE FUTURE***

### ***Construction of New High School / Middle School Facility***

The District is currently in the construction phase of its new high school / middle school facility. Ground breaking on the new facility took place in June 2005 and the high school portion of the project opened on September 5, 2006. As part of this process, the Board approved the program of requirements which determined the space required to deliver the instructional services. Construction is anticipated to be finished July 2007. Students in seventh and eighth grade will move into the facility at the opening of the 2007-08 school year.

### ***Technology Initiatives***

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

### ***Chillicothe CSD Website***

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

### ***Literacy and Science Projects***

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

The Chillicothe City School District is partnering with Ohio University in a two year project to deepen the knowledge of the science disciplines for those who teach science in grades 3 - 12. Fifteen teachers are currently enrolled in the year long course and fifteen additional staff members will participate in the project next school year.

## ***FINANCIAL INFORMATION***

### ***Internal Control Structure***

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

### ***Grants***

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

### ***Budgetary Controls***

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



### ***Financial Condition***

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

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

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

Statement of budgetary comparison. The statement presents comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transaction on a basis of cash receipts, disbursements, and encumbrances.

As part of this reporting model, management is responsible for preparing a Management Discussion and Analysis for the District. This discussion is located in the financial section of this report following the audit opinion and provides an assessment of the District finances for fiscal year 2006 and the outlook for the future.

### ***Risk Management***

The District continues to protect its assets through a comprehensive insurance program. A schedule of insurance in force at June 30, 2006 is included in the Notes to the Basic Financial Statements Section of this report.

### ***Cash Management***

The District believes that appropriate cash management activities are integral to the District's overall financial well-being. Forecasting of receipts and expenditures, cash budgeting and on-going variance analysis allow prudent optimization of investment maturities and interest income. Total interest earned during the fiscal year 2006 was \$1,323,394. By Board Resolution earnings from the Construction fund are posted to the General Fund and then transferred to the Permanent Improvement Fund. Earnings from Construction fund monies totaled \$140,381.

The cash management program's efficiency is enhanced using direct deposits and wire transfers to accelerate the availability of investable balances; cash budgeting and the use of controlled disbursements to control expenditures; and the use of appropriate portfolio management techniques to maximize earnings.

This portfolio program, which aggregates the excess cash of substantially all funds for investment purchases, adheres to the following priorities: assuring the safety of all invested principal, providing needed liquidity to meet the District's obligations on a timely basis, and earning a market rate of return over budgetary and economic cycles.

The securities and maturities utilized are authorized by the Ohio Revised Code, Section 135.14, 135.42, and 135.45 as amended. The District approaches investment selection in two ways: (1) it purchases eligible securities which mature at specific times to pay known obligations of the District (maturity matching); and (2) it diversifies other maturities over the permissible investment horizon, given cash flow forecasts and market conditions, by constructing a "laddered" configuration.

The District purchases Certificates of Deposit, and Treasury and Agency/Instrumentality securities permitted by the Ohio Revised Code. It also uses the State Treasurer's Star Ohio account for short-term investments. The District does not invest in derivative securities nor engage in leverage. It utilizes yield curve analysis and relative value approaches for investment selection. All investments are transacted competitively, using three bids/offers from eligible banks and dealer firms.

The District follows the procedures permitted by Ohio law regarding the safekeeping of deposits and investments. Deposits are generally secured by a pool of eligible investments, not in the District's name, held by depository institutions or at their Federal Reserve Bank account for the district. The Governmental Accounting Standards Board, using strict standards of deposit segregation, refers to these deposits as "uncollateralized." The State of Ohio does not require that this criterion be met.

## ***OTHER INFORMATION***

### ***Awards***

#### ***Certificate of Achievement***

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Chillicothe City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

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

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

#### ***ASBO Certificate of Excellence***

The District also received the Association of School Business Officials International (ASBO) Certificate of Excellence on Financial Reporting award for the fiscal year ended June 30, 2005. This award certifies that the Comprehensive Annual Financial Report conforms to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials. This award is granted only after an intensive review of the financial report by an expert panel of certified public accountants and practicing school business officials. Receiving this award is recognition that a school system has met the highest standards of excellence in school financial reporting.

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

### ***Independent Audit***

The State of Ohio Auditor's Office conducted the District's 2006 fiscal year audit. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on the Basic financial statements are included in the financial section of this report.

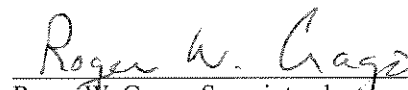
***Acknowledgements***

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

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

Respectfully Submitted,

  
\_\_\_\_\_  
John D. Rose, CPA, Treasurer

  
\_\_\_\_\_  
Roger W. Crago, Superintendent



The Government Finance Officers Association  
of the United States and Canada

*presents this*

# AWARD OF FINANCIAL REPORTING ACHIEVEMENT

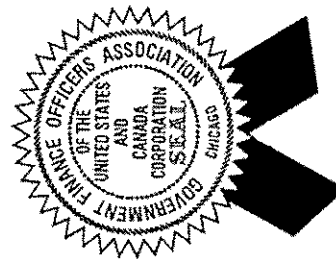
*to*

**John D. Rose, CPA**

Treasurer

Chillicothe City School District, Ohio

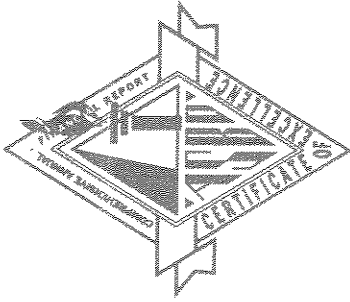
*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*



Executive Director

Date July 5, 2006

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting

*is presented to*

**Chillicothe City School District**

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2005

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

*Melody Stouffer*

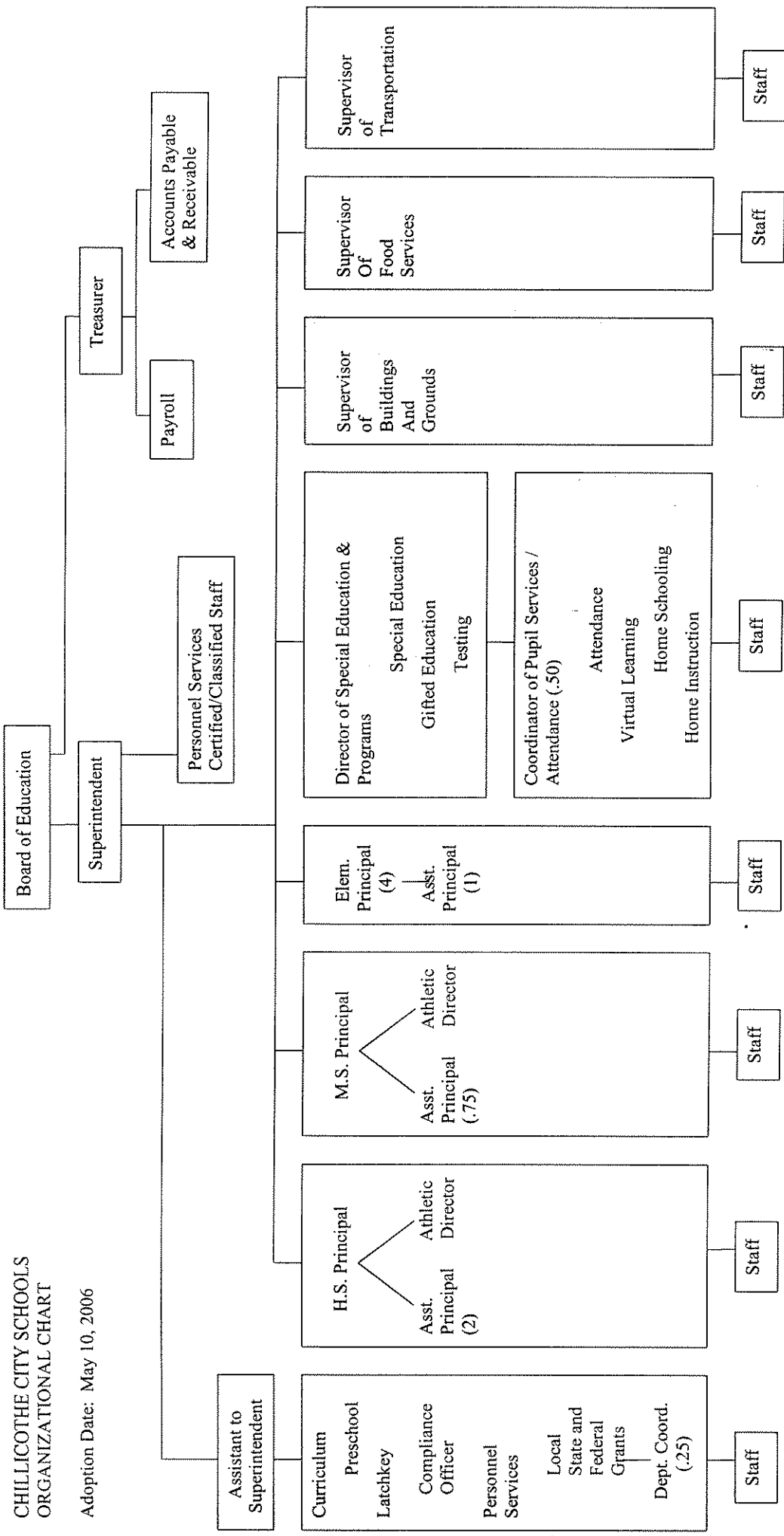
President

*John D. Mueser*

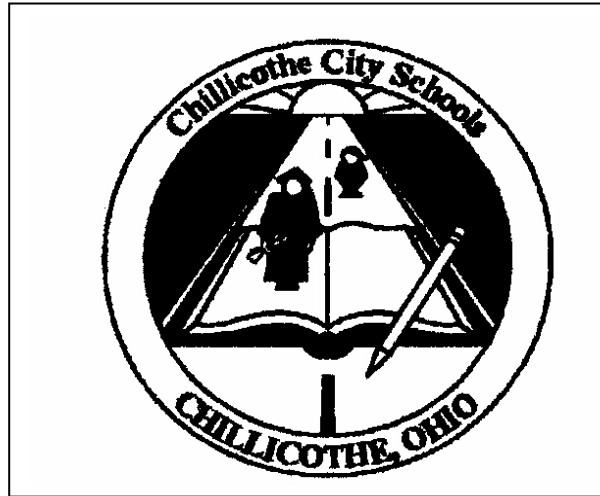
Executive Director

CHILLICOTHE CITY SCHOOLS  
ORGANIZATIONAL CHART

Adoption Date: May 10, 2006



# CHILlicothe CITY SCHOOL DISTRICT



## FINANCIAL SECTION







## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chillicothe City School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chillicothe City School District, Ross County, Ohio, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Betty Montgomery**  
Auditor of State

December 20, 2006

Chillicothe City School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Chillicothe City School District's (the District) discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, basic financial statements, and notes to the basic financial statements to enhance their understanding of the District's financial performance.

**FINANCIAL HIGHLIGHTS**

- The District's assets exceeded its liabilities at June 30, 2006 by \$7,935,652.
- The District's net assets of governmental activities increased \$1,953,403.
- General revenues accounted for \$26,693,829 in revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$5,668,956 or 18 percent of total revenues of \$32,362,785.
- The District had \$30,409,382 in expenses related to governmental activities; only \$5,668,956 of these expenses was offset by program specific charges for services, operating and capital grants, or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$26,693,829 were adequate to provide for these programs.

**USING THIS ANNUAL FINANCIAL REPORT**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District the General Fund, Debt Service Fund, and the Construction Fund are the only three major funds.

**REPORTING THE DISTRICT AS A WHOLE**

*Statement of Net Assets and Statement of Activities*

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

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

Chillicothe City School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

---

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

- **Governmental Activities.** All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

## **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

### ***Fund Financial Statements***

The analysis of the District's funds begins on page 8. Fund financial statements provide detailed information about the District's major funds – not the District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the District is meeting legal responsibilities for use of grants. The Chillicothe City School District's major funds are the General, Debt Service and Construction Funds.

**Governmental Funds.** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements. The fund financial statements can be found on pages 14-17 of this report.

**Proprietary Funds.** The District maintains a proprietary fund. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for run out claims. Since the internal service fund exclusively benefits governmental functions, it has been included with governmental activities in the government-wide financial statements. The proprietary fund financial statements can be found on pages 19-21 of this report.

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

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-48 of this report.

Chillicothe City School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

---

**THE DISTRICT AS A WHOLE**

As stated previously, the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2006 compared to 2005.

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
Assets:		
Current and Other Assets	\$39,896,051	\$50,779,307
Capital Assets, Net	26,943,538	11,311,353
Total Assets	66,839,589	62,090,660
Liabilities:		
Current and Other Liabilities	19,685,024	16,775,619
Long-Term Liabilities	39,218,913	39,332,792
Total Liabilities	58,903,937	56,108,411
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,679,730	7,397,067
Restricted	2,576,985	1,468,998
Unrestricted	(321,063)	(2,883,816)
Total Net Assets	\$7,935,652	\$5,982,249

The increase of \$15,632,185 in Capital Assets is primarily due to the construction in progress of the high school/middle school complex that took place during fiscal year 2006.

The decrease of \$10,883,256 in Current Assets is primarily due to the investment of resources in the construction of the high school/middle school complex during fiscal year 2006.

The increase of \$2,909,405 in Current Liabilities is due to the increase in Deferred Revenue for the continuing operating levy passed in the prior year and the increase in Retainage Payable due to the construction in progress of the high school/middle school project.

Chillicothe City School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2006 and June 30, 2005.

Table 2  
Change in Net Assets

	Governmental Activities	
	2006	2005
Revenues		
Program Revenues:		
Charges for Services	\$1,958,346	\$2,019,694
Operating Grants and Contributions	3,605,912	5,501,272
Capital Grants and Contributions	104,698	0
Total Program Revenues	5,668,956	7,520,966
General Revenues:		
Property Taxes	15,418,036	12,383,538
Grants and Entitlements not Restricted to Specific Programs	9,574,690	7,793,690
Gifts and Donations not Restricted to Specific Programs	63,273	24,476
Investment Earnings	1,323,394	925,457
Payments in Lieu of Taxes	82,703	61,605
Gain on Sale of Capital Assets	12,053	0
Miscellaneous	219,680	95,492
Total General Revenues	26,693,829	21,284,258
Total Revenues	32,362,785	28,805,224
Program Expenses		
Instruction		
Regular	13,449,213	12,795,621
Special	2,807,734	3,233,613
Vocational	4,094	4,424
Adult/Continuing	1,707	2,111
Other	464,322	177,912
Support Services		
Pupils	1,696,153	1,633,299
Instructional Staff	1,713,299	1,758,166
Board Of Education	85,395	51,964
Administration	1,908,865	1,842,171
Fiscal & Business	898,928	786,670
Operation and Maintenance of Plant	2,510,823	2,149,903
Pupil Transportation	812,874	874,516
Central	123,808	123,939
Operation of Non-Instructional Services	1,534,833	1,538,412
Extracurricular Activities	554,034	479,251
Interest & Fiscal Charges	1,843,300	1,627,989
Total Expenses	30,409,382	29,079,961
Net Assets at Beginning of Year	5,982,249	6,256,986
Change in Net Assets	1,953,403	(274,737)
Net Assets at End of Year	\$7,935,652	\$5,982,249

The decrease of \$1,895,360 in Operating Grants and Contributions is primarily due to the School District receiving a one time \$1.361 million catastrophic grant in 2005.

The increase of \$3,034,498 in property taxes is due primarily to the first collection on the 6 mill continuing operating levy passed in May 2005. The District also benefited from the increase in property values from the calendar year 2004 update by the Ross County Auditor.

Chillicothe City School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

---

Grants and Entitlements not Restricted to Specific Programs increased by \$1,781,000. The School District saw an increase in State Foundation receipts due to funding formula changes which increased funds allocated to the District.

Investment earnings increased by \$397,937 in 2006. This is due to investment earnings generated from the proceeds of bonds issued in 2005. The District also benefited from higher rates of return on investments in 2006.

The increase in Regular Instruction Expenses of \$653,592 is due primarily to the following factors: (1) an increase of \$613,734 in state foundation deductions for students open enrolling in other districts and community schools; (2) the District awarded a 3% cost of living increase on salaries and wages and a one time \$350 signing bonus during the 2006 year as part of the collective bargaining agreements with both of the District's organized unions; and (3) severance payments increased by \$181,458 in 2006.

### **Governmental Activities**

Property taxes comprised 48 percent of revenue for governmental activities of the Chillicothe City School District for fiscal year 2006 and represent the largest sources of revenue. Since 1996, property tax revenue has increased 37%. Property tax growth has been limited in the past by H.B. 920 reduction factors, which restrict inflationary growth on existing property resulting from re-appraisal activity. However, Since H.B. 920 allows for such growth once a district hits a "20 mill floor", the District experienced property tax revenue growth in calendar year 2004 from a valuation update. Re-appraisals and valuation updates occur once every three years within the District. Subsequent to the update, the District passed the 6 mill continuing operating levy which further increased revenue. However with the levy passage the District is no longer at the 20 mill floor and once again will be limited by the components of H.B. 920. Growth has also been negatively impacted by the recent devaluations of MeadWestvaco. Property Tax growth will be negatively impacted by H.B. 66 which eliminates the Tangible Personal Property Tax. While, the District will be fully reimbursed by the state through FY2010, the reimbursement will be phased out beginning in FY2011. Tangible Personal Property tax revenue totaled \$4.296 million in 2006.

Grants and entitlements comprised 30 percent of revenue for governmental activities during 2006. Since 1996, grant and entitlement revenue has increased 12%. This increase includes the state reimbursement for the loss of Tangible Personal Property Tax of \$273,775 in 2006 which was the first year the District received this reimbursement. This increase is negated by the loss of Tangible Personal Property Tax due to H.B. 66. Revenue growth has been limited since 1996 primarily due to declining enrollment, which is a factor in determining grant and entitlement allocations

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 55 percent of governmental program expenses with support services comprising 32 percent of governmental expenses. The Board of Education relies on taxes to support increased student achievement within the school district.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2006 as compared to 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Chillicothe City School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

Table 3  
Total and Net Cost of Program Services  
Governmental Activities

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$16,727,070	\$14,046,164	\$16,213,681	\$12,084,989
Support Services	9,750,145	8,216,705	9,220,628	7,274,220
Operation of Non-instructional Services	1,534,833	177,299	1,538,412	231,842
Extracurricular Activities	554,034	456,958	479,251	339,956
Interest and Fiscal Charges	1,843,300	1,843,300	1,627,989	1,627,989
<b>Total Expenses</b>	<b>\$30,409,382</b>	<b>\$24,740,426</b>	<b>\$29,079,961</b>	<b>\$21,558,996</b>

**THE DISTRICT'S FUNDS**

Information about the District's major governmental funds begins on page 14. All of the District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$33,395,075 and expenditures and other financing uses of \$47,247,730. The net change in fund balance for the year was most significant in the Construction Fund.

The fund balance of the General Fund increased by \$338,336. This increase was due primarily to the additional revenue from the 6 mill continuing operating levy passed in May 2005.

The fund balance of the Construction Fund decreased by \$16,063,251. This decrease was primarily due to expenditures made for the construction in progress of the High School/Middle school facility.

The fund balance of the Debt Service Fund increased by \$473,518. This increase was primarily due to the full year of tax collection for the retirement of the \$34 million construction bonds issued during 2005. These resources will be used for bond interest and principal payments on the bonds.

**General Fund Budgeting Highlights**

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

During 2006, there were revisions to the General Fund budget. The original budgeted revenues were below the final budgeted revenues by \$988,411 with \$652,322 being from interest. The District's original appropriations were below final appropriations in the amount of \$2,477,412. The increases to appropriations were for additional expenditures for purchased services. These expenditures included \$2,131,298 in deductions for students open enrolled in outside districts and community schools. The District's ending unobligated cash balance was \$398,026.



Chillicothe City School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

---

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Table 4 shows the fiscal year 2006 balances compared to 2005.

Table 4  
Capital Assets  
(Net of Accumulated Depreciation)

	Governmental Activities	
	2006	2005
Land & Improvements	\$681,537	\$704,353
Construction in Progress	18,423,686	2,119,084
Buildings and Improvements	4,068,043	4,564,830
Furniture and Equipment	3,508,118	3,643,607
Vehicles	262,154	279,478
<b>Totals</b>	<b>\$26,943,538</b>	<b>\$11,311,352</b>

The increase in capital assets from the prior year resulted from additions. Construction work continued on the new High School/Middle School facility which accounted for the bulk of the \$15,632,186 increase in assets.

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

**Debt**

At June 30, 2006, the District had \$37,151,575 in notes, bonds and capital leases outstanding with \$696,424 due within one year. Table 5 summarizes the bonds and notes outstanding:

Table 5  
Outstanding Debt at Year End

	Governmental Activities	
	2006	2005
1999 General Obligation Notes	\$1,320,000	\$1,475,000
2005 Construction Bond	35,067,599	35,045,232
Capital Leases	763,976	862,102

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

The Construction Bonds were issued in 2005 in the amount of \$34,000,000. The bond issue also included a premium in the amount of \$1,040,254 and accretion on the CAP bonds in the amount of \$112,467. The bonds were issued for the purpose of renovating and constructing buildings. Detailed information regarding long term debt is included in the notes to the basic financial statements (Note 14).

At June 30, 2006 the District's overall legal debt margin was \$8,112,414 with an unvoted debt margin of \$476,860.

Chillicothe City School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

---

**Current Financial Related Activities**

The citizens of the District passed a 6 mill operating levy in May of 2005. Collections on this levy began in February 2006. As a result of this levy passage, the District forecasts a positive cash balance through June 30, 2008. The impact of the passage of the levy was tempered by \$10.5 million personal property devaluation by New Page which resulted in tax revenue losses of \$398,000. This is in addition to \$36 million property devaluation in 2005. Declining enrollment continues to plague the District as enrollment declined by 127 students in 2006.

The District will not be impacted by further tangible personal property devaluations due the passage of H.B. 66 which eliminated the Tangible Personal Property Tax. However, the current legislation only holds the District harmless through calendar year 2010, and then the reimbursements for lost revenue are phased out. The permanent loss of this revenue would account for over \$4.2 million.

The District remains in a fiscal caution status by the Ohio Department of Education. The primary reason for this status is the continued trend in declining enrollment. The Department of Education, Division of School Finance continues to conduct monthly reviews of the Districts financial condition. Additional information regarding subsequent financial events is discussed in more detail in Note 21 of the Basic Financial Statements.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

# **Basic Financial Statements**



**Chillicothe City School District**  
**Statement of Net Assets**  
**as of June 30, 2006**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,416,987
Investments	17,561,652
Accrued Interest Receivable	254,623
Accounts Receivable	7,291
Intergovernmental Receivable	481,529
Taxes Receivable	15,678,682
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	14,847
Investments	562,388
Investments in Segregated Accounts	395,506
Unamortized Bond Issuance Costs	522,546
Non-Depreciable Capital Assets	19,036,291
Depreciable Capital Assets, net	7,907,247
<i>Total Assets</i>	\$66,839,589
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$335,152
Accrued Wages and Benefits	2,136,120
Contracts Payable	1,733,049
Intergovernmental Payable	690,794
Accrued Interest Payable	141,661
Matured Compensated Absences Payable	87,216
Unearned Revenue	13,575,524
Retainage Payable	957,894
Early Retirement Incentive Payable	27,614
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	919,706
Due in More Than One Year	38,299,207
<i>Total Liabilities</i>	58,903,937
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	5,679,730
Restricted for Debt Service	377,202
Restricted for Capital Projects	1,361,950
Restricted for Other Purposes	341,931
Restricted for Permanent Fund:	
Non-Expendable	450,000
Expendable	45,902
Unrestricted	(321,063)
<i>Total Net Assets</i>	\$7,935,652

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

**Chillicothe City School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2006**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$13,449,213	\$1,060,067	\$433,595	\$34,759	(\$11,920,792)
Special	2,807,734	0	1,152,485	0	(1,655,249)
Vocational	4,094	0	0	0	(4,094)
Adult/Continuing	1,707	0	0	0	(1,707)
Other	464,322	0	0	0	(464,322)
<b>Support Services:</b>					
Pupils	1,696,153	10,938	622,593	0	(1,062,622)
Instructional Staff	1,713,299	58,815	484,113	12,040	(1,158,331)
Board of Education	85,395	0	0	0	(85,395)
Administration	1,908,865	1,482	72,025	1,047	(1,834,311)
Fiscal	797,231	0	31,929	3,246	(762,056)
Business	101,697	0	0	0	(101,697)
Operation and Maintenance of Plant	2,510,823	137,487	257	209	(2,372,870)
Pupil Transportation	812,874	0	38,420	39,262	(735,192)
Central	123,808	176	10,292	9,109	(104,231)
Operation of Non-Instructional Services	1,534,833	592,305	760,203	5,026	(177,299)
Extracurricular Activities	554,034	97,076	0	0	(456,958)
Interest and Fiscal Charges	1,843,300	0	0	0	(1,843,300)
<b>Total Governmental Activities</b>	<b>30,409,382</b>	<b>1,958,346</b>	<b>3,605,912</b>	<b>104,698</b>	<b>(24,740,426)</b>

**General Revenues:**

<b>Property Taxes Levied for:</b>	
General Purposes	12,449,460
Debt Service	1,841,994
Capital Projects	1,126,582
<b>Grants and Entitlements</b>	
not Restricted to Specific Programs	9,574,690
<b>Gifts and Donations not Restricted to</b>	
Specific Programs	63,273
Investment Earnings	1,323,394
Payments in Lieu of Taxes	82,703
Gain on Sale of Capital Assets	12,053
Miscellaneous	219,680
<b>Total General Revenues</b>	<b>26,693,829</b>
Change in Net Assets	1,953,403
<b>Net Assets Beginning of Year</b>	<b>5,982,249</b>
<b>Net Assets End of Year</b>	<b>\$7,935,652</b>

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



**Chillicothe City School District**  
**Balance Sheet**  
**Governmental Funds**  
**as of June 30, 2006**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$690,953	\$214,387	\$231,542	\$3,199,055	\$4,335,937
Investments	0	0	17,561,652	0	17,561,652
Accrued Interest Receivable	251,033	0	0	3,590	254,623
Accounts Receivable	7,233	0	0	58	7,291
Interfund Receivable	76,760	0	0	0	76,760
Intergovernmental Receivable	0	0	0	481,529	481,529
Taxes Receivable	12,746,610	1,868,669	0	1,063,403	15,678,682
<b>Restricted Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	14,847	0	0	0	14,847
Investments	0	0	562,388	0	562,388
Investments in Segregated Accounts	0	0	395,506	0	395,506
<b>Total Assets</b>	<u>13,787,436</u>	<u>2,083,056</u>	<u>18,751,088</u>	<u>4,747,635</u>	<u>39,369,215</u>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	24,609	0	299,418	11,125	335,152
Contracts Payable	0	0	1,733,049	0	1,733,049
Accrued Wages and Benefits	1,595,562	0	0	540,558	2,136,120
Interfund Payable	0	0	0	76,760	76,760
Intergovernmental Payable	507,354	0	0	183,440	690,794
Retainage Payable	0	0	957,894	0	957,894
Matured Compensated Absences Payable	86,443	0	0	773	87,216
Deferred Revenue	11,485,241	1,762,584	0	1,018,302	14,266,127
Early Retirement Incentive Payable	27,614	0	0	0	27,614
<b>Total Liabilities</b>	<u>13,726,823</u>	<u>1,762,584</u>	<u>2,990,361</u>	<u>1,830,958</u>	<u>20,310,726</u>
<b>FUND BALANCES:</b>					
<b>Reserved:</b>					
Reserved for Encumbrances	275,411	0	13,471,044	500,669	14,247,124
Reserved for Property Taxes	1,261,369	106,085	0	200,518	1,567,972
Reserved for Bus Purchases	14,847	0	0	0	14,847
Reserved for Library Purposes	0	0	0	450,000	450,000
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	(1,491,014)	0	0	0	(1,491,014)
Special Revenue Funds	0	0	0	160,803	160,803
Debt Service Funds	0	214,387	0	0	214,387
Capital Projects Funds	0	0	2,289,683	1,558,785	3,848,468
Permanent Funds	0	0	0	45,902	45,902
<b>Total Fund Balances</b>	<u>60,613</u>	<u>320,472</u>	<u>15,760,727</u>	<u>2,916,677</u>	<u>19,058,489</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$13,787,436</u>	<u>\$2,083,056</u>	<u>\$18,751,088</u>	<u>\$4,747,635</u>	<u>\$39,369,215</u>

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



**Chillicothe City School District**  
**Reconciliation of Total Governmental Fund Balances to**  
*Net Assets of Governmental Activities*  
*As of June 30, 2006*

<b>Total Governmental Fund Balances</b>		\$ 19,058,489
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,943,538
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	535,186	
Intergovernmental	155,417	
Total		690,603
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		81,050
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		522,546
Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(141,661)	
Compensated Absences	(2,067,338)	
Capital Lease Obligations	(763,976)	
General Obligation Bonds	(34,197,545)	
Premium on Bonds Issued	(870,054)	
General Obligation Notes	(1,320,000)	
Total		(39,360,574)
<b>Net Assets of Governmental Activities</b>		<b>\$ 7,935,652</b>

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

**Chillicothe City School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Property and Other Local Taxes	\$12,412,016	\$1,844,795	\$0	\$1,128,261	\$15,385,072
Intergovernmental	7,851,966	267,648	0	5,090,992	13,210,606
Interest	1,161,495	0	140,381	21,518	1,323,394
Tuition and Fees	845,875	0	0	259,285	1,105,160
Rent	136,341	0	0	0	136,341
Extracurricular Activities	17,480	0	0	131,378	148,858
Gifts and Donations	63,273	0	0	28,140	91,413
Customer Sales and Services	61,793	0	0	506,194	567,987
Miscellaneous	20,241	0	150	199,289	219,680
Payments in Lieu of Taxes	67,049	10,232	0	5,422	82,703
<i>Total Revenues</i>	<u>22,637,529</u>	<u>2,122,675</u>	<u>140,531</u>	<u>7,370,479</u>	<u>32,271,214</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	10,897,242	0	0	2,320,358	13,217,600
Special	2,008,514	0	0	786,432	2,794,946
Vocational	3,691	0	0	0	3,691
Other	219,744	0	0	244,578	464,322
<b>Support Services:</b>					
Pupils	1,004,879	0	0	657,612	1,662,491
Instructional Staff	961,381	0	0	752,393	1,713,774
Board of Education	83,481	0	0	0	83,481
Administration	1,753,302	0	0	85,037	1,838,339
Fiscal	723,105	0	0	61,867	784,972
Business	96,613	0	0	1,882	98,495
Operation and Maintenance of Plant	2,143,415	0	0	325,156	2,468,571
Pupil Transportation	670,196	0	0	76,355	746,551
Central	59,474	0	0	52,165	111,639
Operation of Non-Instructional Services	0	0	0	1,307,943	1,307,943
Extracurricular Activities	413,369	0	0	136,632	550,001
Capital Outlay	0	0	16,203,782	110,344	16,314,126
<b>Debt Service:</b>					
Principal	253,126	5,000	0	0	258,126
Interest	152,634	1,644,157	0	0	1,796,791
<i>Total Expenditures</i>	<u>21,444,166</u>	<u>1,649,157</u>	<u>16,203,782</u>	<u>6,918,754</u>	<u>46,215,859</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>1,193,363</u>	<u>473,518</u>	<u>(16,063,251)</u>	<u>451,725</u>	<u>(13,944,645)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Transfers - In	85,000	0	0	946,871	1,031,871
Proceeds from Sale of Capital Assets	6,844	0	0	85,146	91,990
Transfers - Out	(946,871)	0	0	(85,000)	(1,031,871)
<i>Total Other Financing Sources and Uses</i>	<u>(855,027)</u>	<u>0</u>	<u>0</u>	<u>947,017</u>	<u>91,990</u>
<i>Net Change in Fund Balances</i>	338,336	473,518	(16,063,251)	1,398,742	(13,852,655)
<i>Fund Balance (Deficit) at Beginning of Year - As Restated - See Note 3</i>	<u>(277,723)</u>	<u>(153,046)</u>	<u>31,823,978</u>	<u>1,517,935</u>	<u>32,911,144</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$60,613</u>	<u>\$320,472</u>	<u>\$15,760,727</u>	<u>\$2,916,677</u>	<u>\$19,058,489</u>

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

**Chillicothe City School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2006**

**Net Change in Fund Balances - Total Governmental Funds** \$ (13,852,655)

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

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

Capital Asset Additions	16,663,158	
Current Year Depreciation	(951,035)	
<b>Total</b>	<b>15,712,123</b>	15,712,123

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

Proceeds from Sale of Capital Assets	(91,990)	
Gain on Disposal of Capital Assets	12,053	
<b>Total</b>	<b>(79,937)</b>	(79,937)

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

Taxes	32,964	
Intergovernmental	46,557	
<b>Total</b>	<b>79,521</b>	79,521

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

258,126

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

(386)

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

Premium	85,100	
Issuance Costs	(19,354)	
Annual Accretion of Capital Appreciation Bonds	(112,467)	
<b>Total</b>	<b>(46,721)</b>	(46,721)

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

Increase in Compensated Absences	(116,880)	
Decrease in Interest Payable	212	

<b>Total</b>		<b>(116,668)</b>
--------------	--	------------------

**Net Change in Net Assets of Governmental Activities** **\$ 1,953,403**

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

**Chillicothe City School District**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property and Other Local Taxes	\$11,518,153	\$11,639,032	\$11,966,422	\$327,390
Intergovernmental	7,848,524	8,142,932	7,864,456	(278,476)
Interest	461,000	1,113,322	1,061,423	(51,899)
Tuition and Fees	981,087	871,545	845,875	(25,670)
Rent	85,000	85,000	132,047	47,047
Extracurricular Activities	20,000	20,000	17,480	(2,520)
Gifts and Donations	30,000	30,000	63,273	33,273
Customer Sales and Services	70,000	77,196	62,417	(14,779)
Payments in Lieu of Taxes	5,000	28,148	67,049	38,901
Miscellaneous	35,200	35,200	25,614	(9,586)
<b>Total Revenues</b>	<b>21,053,964</b>	<b>22,042,375</b>	<b>22,106,056</b>	<b>63,681</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,989,610	11,128,169	11,044,983	83,186
Special	2,168,274	2,166,171	2,116,156	50,015
Vocational	3,742	3,742	3,704	38
Other	194,907	194,907	236,114	(41,207)
<b>Support Services:</b>				
Pupils	1,138,046	1,140,149	1,047,699	92,450
Instructional Staff	1,330,956	1,330,790	994,727	336,063
Board of Education	72,617	94,049	98,697	(4,648)
Administration	1,706,593	1,704,565	1,739,780	(35,215)
Fiscal	750,069	750,069	723,317	26,752
Business	109,094	179,372	159,096	20,276
Operation and Maintenance of Plant	2,060,540	2,265,356	2,162,082	103,274
Pupil Transportation	713,355	715,355	712,453	2,902
Central	71,300	73,501	59,474	14,027
Extracurricular Activities	406,153	446,473	439,269	7,204
<b>Debt Service:</b>				
Principal	155,000	155,000	155,000	0
Interest	73,750	73,750	73,750	0
<b>Total Expenditures</b>	<b>19,944,006</b>	<b>22,421,418</b>	<b>21,766,301</b>	<b>655,117</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,109,958</b>	<b>(379,043)</b>	<b>339,755</b>	<b>718,798</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	450,000	85,000	85,000	0
Refund of Prior Year Expenditures	55,000	55,000	2,030	(52,970)
Advances In	20,000	142,641	142,641	0
Transfers Out	(310,000)	(654,322)	(946,871)	(292,549)
Refund of Prior Year Receipts	0	0	(167)	(167)
Advances Out	(20,000)	(20,000)	(76,758)	(56,758)
Other Financing Uses	(2,156,821)	(81,667)	0	81,667
<b>Total Other Financing Sources and Uses</b>	<b>(1,961,821)</b>	<b>(473,348)</b>	<b>(794,125)</b>	<b>(320,777)</b>
<b>Net Change in Fund Balances</b>	<b>(851,863)</b>	<b>(852,391)</b>	<b>(454,370)</b>	<b>398,021</b>
Fund Balance at Beginning of Year	575,573	575,573	575,573	0
Prior Year Encumbrances Appropriated	276,823	276,823	276,823	0
<b>Fund Balance at End of Year</b>	<b>\$533</b>	<b>\$5</b>	<b>\$398,026</b>	<b>\$398,021</b>

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

**Chillicothe City School District**  
*Statement of Net Assets*  
*Proprietary Fund*  
*as of June 30, 2006*

	<i>Governmental</i>
	<u><i>Activities</i></u>
	<b>Internal</b>
	<b><u>Service Fund</u></b>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$81,050</u>
<i>Total Assets</i>	<u><u>81,050</u></u>
NET ASSETS:	
Unrestricted	<u><u>\$81,050</u></u>

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

**Chillicothe City School District**  
**Statement of Revenues, Expenses and**  
**Changes In Fund Net Assets**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2006**

	<i>Governmental Activities</i>
	<b>Internal Service Fund</b>
Operating Revenues:	
Charges for Services	\$0
<i>Total Operating Revenue</i>	0
Operating Expenses:	
Fringe Benefits	261
Purchased Services	125
<i>Total Operating Expenses</i>	386
Change in Net Assets	(386)
Net Assets at Beginning of Year	81,436
Net Assets at End of Year	\$81,050

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

**Chillicothe City School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2006**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Payments to Suppliers for Services	(\$125)
Cash Payments for Employee Benefits	(261)
<i>Net Cash Used for Operating Activities</i>	(386)
Cash and Cash Equivalents at Beginning of Year	81,436
Cash and Cash Equivalents at End of Year	\$81,050
<b><i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i></b>	
Operating Loss	(\$386)
<i>Net Cash Used for Operating Activities</i>	(\$386)

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

**Chillicothe City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*as of June 30, 2006*

	<u>Agency</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$86,197
<i>Total Assets</i>	<u>86,197</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Due to Students	73,292
Undistributed Monies	<u>12,905</u>
<i>Total Liabilities</i>	<u>\$86,197</u>

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



*CHILlicothe CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

**NOTE 1-DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Chillicothe City School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1849 through the consideration of existing land areas and school districts. The School District serves an area of approximately 22 square miles. It is located in Ross County, and includes all of the Village of Massieville, the City of Chillicothe and a portion of Scioto Township. It is staffed by 130 non-certified employees, 211 certificated full-time teaching personnel and 13 administrative employees who provide services to 3,069 students and other community members. The School District currently operates six instructional buildings, one administrative building, one maintenance building and one bus garage.

*Reporting Entity:*

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

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

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

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

The following activities are included within the reporting entity:

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

*CHILlicothe City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

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

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

**NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation-Fund Accounting**

*Fund Accounting*

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

*Governmental Funds*

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

General Fund

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

Debt Service Fund

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

Construction Fund

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

*CHILlicothe CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

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

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

*Proprietary Funds*

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

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Chillicothe City School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee run out claims which ended on December 31, 2004.

*Fiduciary Funds*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

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

*Basis of Presentation*

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

*Government-wide Financial Statements*

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

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

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

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

*Fund Financial Statements*

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

*Measurement Focus*

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

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

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

*Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*Revenues – Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

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

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

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

*Deferred/Unearned Revenue*

Deferred/Unearned 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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred/unearned revenue.

*Expenses/Expenditures*

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

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

**C. Budgets**

*Budgetary Process*

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

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year 2006.

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

*Encumbrances*

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

The School District did not budget the Schoolnet Capital Project Fund or the Self Insurance Internal Service Fund for fiscal year 2006.

**D. Cash and Cash Equivalents**

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

During fiscal year 2006, investments were limited to STAROhio and U.S. Government Agency Securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2006. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$1,161,495. The Construction Fund and the Other Governmental Funds earned interest revenue of \$140,381 and \$21,518, respectively.

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

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

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

**E. Capital Assets and Depreciation**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**F. Interfund Assets/Liabilities**

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

**G. Compensated Absences**

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

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

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

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

**H. Accrued Liabilities and Long-Term Obligations**

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

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

**I. Interfund Transactions**

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

**J. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses. A corresponding fund balance reserve has also been established for this amount. During fiscal year 2006, the School District held monies for the renovation of school buildings. Retainage amounts at June 30, 2006 have been restricted and are presented as "Investments and Investments in Segregated Accounts" on the balance sheet. See Note 18 for additional information regarding set-asides.

**K. Net Assets**

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

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

The government-wide statement of net assets reports \$2,576,985 restricted net assets, none of which are restricted by enabling legislation.

**L. Fund Balance Reserves**

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



*CHILlicoTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

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

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

**M. Operating Revenues and Expenses**

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

**N. Estimates**

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

**O. Unamortized Bond Issuance Costs/Bond Premium and Discount**

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

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

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

**NOTE 3-CHANGE IN ACCOUNTING PRINCIPLE**

For the fiscal year 2006, the School District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 44 amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

A restatement to fund balance was made to the general fund and the construction fund in the amount of \$176,886 to move accrued interest to the general fund per a board resolution.

*CHILlicoTHE CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal year Ended June 30, 2006*

**NOTE 4-ACCOUNTABILITY**

At June 30, 2006, the Uniform School Supplies, Public School Preschool, Title I, Ohio Reads, Poverty Based, and Drug Free Nonmajor Special Revenue funds had deficit fund balances of \$40,415, \$11,427, \$25,842, \$87, \$67,460, and \$3,034, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At June 30, 2006, the Public School Preschool, Ohio Reads, Title I, and Improving Teacher Quality Nonmajor Special Revenue funds had deficit budgetary fund balances of \$1,265, \$371, \$2,474, and \$62, respectively.

**NOTE 5-BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – (Non-GAAP Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$338,336
Revenue and Other	
Financing Sources Accruals	(393,646)
Expenditure and Other	
Financing Uses Accruals	(135,508)
Encumbrances	<u>(263,552)</u>
Budget Basis	<u>(\$454,370)</u>

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

**NOTE 6-DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

*CHILLICOTHE CITY SCHOOL DISTRICT  
Notes to the Basic Financial Statements  
For the Fiscal year Ended June 30, 2006*

**NOTE 6-DEPOSITS AND INVESTMENTS** (Continued)

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures as of June 30, 2006, \$1,887,447 of the School District's bank balance of \$1,987,447 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

As of June 30, 2006, the District had the following investments and maturities.

Investment Type	Fair Value	6 months or less	7 to 12 months	13 to 18 months
StarOhio	\$ 76,891			
FNMA Notes	6,994,777	\$ 4,500,000	\$ 1,600,000	\$ 1,000,000
FHLB Notes	5,502,148	3,600,000	1,950,000	0
FHLMC Notes	8,542,888	6,500,000	2,200,000	0
	<u>\$ 21,116,704</u>	<u>\$ 14,600,000</u>	<u>\$ 5,750,000</u>	<u>\$ 1,000,000</u>

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

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

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

**NOTE 6-DEPOSITS AND INVESTMENTS** (Continued)

*Concentration of Credit Risk.* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
StarOhio	\$ 76,891	0.36%
FNMA Notes	6,994,777	33.12%
FHLB Notes	5,502,148	26.06%
FHLMC Notes	8,542,888	40.46%
	<u>\$ 21,116,704</u>	<u>100.00%</u>

**NOTE 7-PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during the calendar 2006 for real and public utility property taxes represents collections of calendar 2005 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) are for calendar 2005 taxes.

2006 real property taxes are levied after April 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2005 public utility property taxes became a lien December 31, 2005, are levied after April 1, 2006 and are collected in 2006 with real property taxes.

2006 tangible personal property taxes are levied after April 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are twenty-five percent of true value.

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

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

**CHILLICOTHE CITY SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

**NOTE 7-PROPERTY TAXES** (Continued)

The assessed values upon which fiscal year 2006 taxes were collected are:

	<u>2005 Second-Half Collections</u>		<u>2006 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and other Real Estate	\$354,642,030	74.19%	\$357,195,280	76.35 %
Public Utility	24,280,980	5.08%	22,037,170	4.71%
Tangible Personal Property	<u>99,095,610</u>	<u>20.73%</u>	<u>88,627,710</u>	<u>18.94%</u>
Total Assessed Value	<u>\$ 478,018,620</u>	<u>100.00%</u>	<u>\$467,860,160</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed valuation	 \$44.67		 \$50.67	

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006, was \$1,261,369 in the General Fund, \$106,085 in the Debt Service Fund and \$200,518 in the Permanent Improvement Fund.

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

**NOTE 8-RECEIVABLES**

Receivables at June 30, 2006, consisted of property taxes, accounts (rent, tuition and student fees) interfund, accrued interest and intergovernmental grants. All receivables are considered collectible in full due the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

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

<i>Nonmajor Special Revenue Funds:</i>	
Title I	173,522
Title VI	528
Title VI-B	112,997
Drug Free School	5,382
Lunchroom Fund	58,276
Ohio Reads	6,297
Title VI-R	81,971
Public School Preschool	39,847
Miscellaneous Federal Grant	<u>2,709</u>
 <i>Total Nonmajor Funds:</i>	 <u><u>\$481,529</u></u>

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

**NOTE 9-CAPITAL ASSETS**

Capital assets activity of the fiscal year ended June 30, 2006, was as follows:

	Ending Balance 6/30/05	Additions	Deletions	Ending Balance 6/30/06
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$2,119,084	\$16,304,602	\$0	\$18,423,686
Land	622,210	39,395	(49,000)	612,605
Total Capital Assets, Not Being Depreciated	<u>2,741,294</u>	<u>16,343,997</u>	<u>(49,000)</u>	<u>19,036,291</u>
Capital Assets Being Depreciated				
Land Improvements	738,579	0	0	738,579
Building & Improvements	14,950,153	0	(55,003)	14,895,150
Furniture and Equipment	6,222,600	280,912	(102,691)	6,400,821
Vehicles	1,018,707	38,249	(55,410)	1,001,546
Total Capital Assets, Being Depreciated	<u>22,930,039</u>	<u>319,161</u>	<u>(213,104)</u>	<u>23,036,096</u>
Less Accumulated Depreciation:				
Land Improvements	(656,436)	(13,211)	0	(669,647)
Buildings and Improvements	(10,385,323)	(477,346)	35,562	(10,827,107)
Furniture and Equipment	(2,578,993)	(404,905)	91,195	(2,892,703)
Vehicles	(739,229)	(55,573)	55,410	(739,392)
Total Accumulated Depreciation	<u>(14,359,981)</u>	<u>*(951,035)</u>	<u>182,167</u>	<u>(15,128,849)</u>
Total Capital Assets Being Depreciated, Net	<u>8,570,058</u>	<u>(631,874)</u>	<u>(30,937)</u>	<u>7,907,247</u>
Governmental Activities Capital Assets, Net	<u>\$11,311,352</u>	<u>\$15,712,123</u>	<u>\$(79,937)</u>	<u>\$26,943,538</u>

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

Instruction:	
Regular	\$550,647
Special	17,640
Vocational	403
Adult/Continuing	1,707
Other	7,855
Support Services:	
Pupils	5,450
Instructional Staff	19,059
Administration	9,489
Board of Education	1,914
Business	3,340
Fiscal	11,645
Operation & Maintenance of Plant	23,981
Pupil Transportation	62,300
Central	12,169
Operation of Non-Instructional Services	215,659
Extracurricular Activities	7,777
Total Depreciation Expense	<u>\$951,035</u>

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

**NOTE 10-RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Neil Coleman Insurance for liability, property, fleet, inland marine, and boiler and machinery insurance. Coverages provided are as follows:

<i>General Liability:</i>	
General Aggregate Limit	\$3,000,000
Each Occurrence Combined Single Limit	1,000,000
Medical Expense Limit (Any One Person)	10,000
<i>Employee Benefit Liability (1,000 Deductible):</i>	
Annual Policy Aggregate Limit	3,000,000
Each Wrongful Account Limit	1,000,000
<i>Auto Liability:</i>	
Per Accident Liability	2,000,000
<i>Stop Gap:</i>	
Each Accident	1,000,000
Disease Each Employee	1,000,000
Disease Policy Limit	1,000,000
<i>Property Insurance:</i>	
Building/Contents (\$1,000 Deductible)	
Including EDP, Inland Marine – Musical Instr.	59,939,985

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

<i>Fleet Insurance:</i>	
Combined Single Limit-Each Accident	2,000,000
Medical Payments-Per Person (Including Extended Medical)	5,000
Uninsured and Underinsured Motorist	
Bodily Injury-Combined Single Limit-Each Accident	1,000,000
Physical Damage	Actual Cash Value
Comprehensive (Bus \$1,000, Other \$250 Deductible)	
Collision (Bus \$1,000, Other \$500 Deductible)	

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

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.



*CHILlicothe CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

**NOTE 10-RISK MANAGEMENT** (Continued)

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Dental insurance prior to January 1, 2005 was offered to employees through a self-insurance internal service fund. The balance in the internal service fund is for run off claims.

The Chillicothe City School District provides medical insurance through a private carrier, Anthem Blue Cross/Blue Shield. The School District also provides dental insurance through a private carrier, Core Source. No claims liability existed at June 30, 2006.

**NOTE 11-DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800)878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$388,309, \$476,836, and \$404,824; 50 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$195,482 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

***B. State Teachers Retirement System***

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

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

**NOTE 11-DEFINED BENEFIT PENSION PLANS** (Continued)

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,653,602, \$1,570,794, and \$1,589,348; 85 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$255,078 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12-POSTEMPLOYMENT BENEFITS**

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

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

**NOTE 12-POSTEMPLOYMENT BENEFITS** (Continued)

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$127,278 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the School District contributed \$192,854 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants eligible to receive health care benefits.

**NOTE 13-EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

**NOTE 13-EMPLOYEE BENEFITS** (Continued)

**B. Life and Accident Insurance**

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

**C. Deferred Compensation**

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

**D. Retirement Incentive**

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

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

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

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

**E. Attendance Bonus for Classified Employees**

Absences from work are counted from July 1 through June 30<sup>th</sup> each year. Classified employees may be eligible for an "Attendance Bonus" for not using days for sick, personal, or leave without pay. This is payable the following July of the fiscal year. For fiscal year 2006, no employees were eligible to take advantage of this benefit.

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

**NOTE 14-LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Outstanding 06/30/05	Additions	Deductions	Outstanding 06/30/06	Amounts Due within One Year
Governmental Activities:					
General Obligation Notes:					
1999 Energy Conservation Improvement Notes 5%	\$ 1,475,000	\$ -	\$ 155,000	\$ 1,320,000	\$ 165,000
General Obligation Bonds:					
2005 Construction General Obligation Bonds- Serial and Term 2-5.25%	33,205,000	-	5,000	33,200,000	450,000
Premium	222,037	-	7,930	214,107	0
2005 Construction Capital Appreciation Bonds 12.274-12.306%	885,078	112,467	0	997,545	0
Premium	733,117	-	77,170	655,947	0
Total General Obligation Bonds	<u>35,045,232</u>	<u>112,467</u>	<u>90,100</u>	<u>35,067,599</u>	<u>450,000</u>
Capital Leases	<u>862,102</u>	<u>-</u>	<u>98,126</u>	<u>763,976</u>	<u>81,424</u>
Compensated Absences	<u>1,950,458</u>	<u>2,067,338</u>	<u>1,950,458</u>	<u>2,067,338</u>	<u>223,282</u>
Total Governmental Activities Long Term Obligations	<u>\$ 39,332,792</u>	<u>\$ 2,179,805</u>	<u>\$ 2,293,684</u>	<u>\$ 39,218,913</u>	<u>\$ 919,706</u>

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

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

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

**NOTE 14-LONG-TERM OBLIGATIONS** (Continued)

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

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

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

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

The capital appreciation bonds will mature in the years 2012 through 2014. The maturity of the bonds is \$2,450,000. For 2006, \$112,467 was accreted for a total bond value of \$997,545.

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

The School District's overall legal debt margin was \$8,112,414, the energy conservation debt margin was \$5,530,741 and the unvoted debt margin was \$476,860 at June 30, 2006.

Principal and interest requirements to retire general obligation debt at June 30, 2006 are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Governmental Activities</u>			
	<u>General Obligation Bonds</u>		<u>General Obligation Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 450,000	\$ 1,606,852	\$ 165,000	\$ 66,000
2008	460,000	1,595,807	170,000	57,750
2009	575,000	1,581,087	180,000	49,250
2010	590,000	1,562,875	190,000	40,250
2011	610,000	1,542,613	195,000	30,750
2012-2016	1,650,000	9,171,248	420,000	31,750
2017-2021	5,950,000	6,625,060	-	-
2022-2026	7,915,000	4,851,529	-	-
2027-2031	10,180,000	2,529,800	-	-
2032-2036	4,820,000	243,750	-	-
Totals	<u>\$ 33,200,000</u>	<u>\$ 31,310,621</u>	<u>\$ 1,320,000</u>	<u>\$ 275,750</u>

*CHILlicoTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

**NOTE 14-LONG-TERM OBLIGATIONS (Continued)**

Fiscal Year	General Obligation Bonds	
	Capital Appreciation	
	Principal	Interest
Ending		
2007	\$ -	\$ -
2008	-	-
2009	-	-
2010	-	-
2011	-	-
2012-2015	795,000	1,655,000
Totals	<u>\$ 795,000</u>	<u>\$ 1,655,000</u>

**NOTE 15-INTERFUND ACTIVITY**

As of June 30, 2006, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payables</u>
General Fund	\$76,760	\$0
<i>Nonmajor Governmental Funds:</i>		
Uniform School Supplies	0	47,491
Public School Support	0	982
Public School Preschool	0	4,467
Ohio Reads	0	5,927
Title VI-B	0	7,078
Title I	0	2,593
Drug Free School	0	178
Miscellaneous Federal Grants	0	507
Improving Teacher Quality	0	7,537
<i>Total Nonmajor Governmental Funds</i>	<u>0</u>	<u>76,760</u>
Total All Funds	<u>\$ 76,760</u>	<u>\$ 76,760</u>

During the year, the School District's General Fund made advances to other funds in anticipation of intergovernmental grant revenue.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The District transferred \$85,000 from the Permanent Improvement Fund to the General Fund for the monies received from the proceeds from the sale of the Maintenance Warehouse as a part of their budget recovery plan.

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$85,000	\$946,871
<i>Nonmajor Funds:</i>		
Miscellaneous Federal Grants	1	0
Title I	2,165	0
Drug Free Schools	3,171	0
Permanent Improvement	941,534	85,000
Total Nonmajor Funds	<u>946,871</u>	<u>85,000</u>
Total All Funds	<u>\$1,031,871</u>	<u>\$1,031,871</u>

*CHILlicothe CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

---

**NOTE 16-JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association*-The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating counties, two school treasurers, and one representative from the fiscal agent. The School District paid SCOCA \$118,919 for services provided during the year. Financial information can be obtained from their fiscal agent, the Vern Riffe Career Technology Center, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio 45661.

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

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

**NOTE 17-INSURANCE PURCHASING POOL**

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

**NOTE 18-SET-ASIDE CALCULATIONS/FUND RESERVES**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.



*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

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

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

	Textbooks	Capital Acquisition	Bus Purchase
Set Aside/Reserve Balance as of June 30, 2005	\$0	\$0	\$9,248
Current Year Set Aside/Reserve Requirement	451,480	451,480	5,599
Prior Year Carryover	(1,044,914)	0	0
Qualifying Disbursements	(318,156)	(12,816,050)	0
Current Year Offsets	0	0	
Set-Aside/Reserve Balance at June 30, 2006	(\$911,590)	(\$12,364,570)	\$14,847
Set-Aside/Reserve Balance Carried Forward to FY07	(\$911,590)	\$0	\$14,847

**NOTE 19-CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**NOTE 20-CAPITAL LEASES**

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

Capital assets acquired by the copier leases were for the amount of \$974,881. These capital assets have been capitalized in the statement of net assets for governmental activities. The liability was recorded in the Statement of Net Assets. Principal payments in fiscal year 2006 totaled \$98,126 in the general fund.

*CHILLICOTHE CITY SCHOOL DISTRICT*  
*Notes to the Basic Financial Statements*  
*For the Fiscal year Ended June 30, 2006*

**NOTE 20-CAPITAL LEASES** (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006:

Fiscal Year Ending June 30,	Amount
2007	\$175,137
2008	175,137
2009	175,137
2010	175,137
2011	175,137
Total	875,685
Less: Amount Representing Interest	(111,709)
Present Value of Net Minimum Lease Payments	\$763,976

**NOTE 21- SUBSEQUENT EVENTS**

On October 16, 2006, the Board of Education approved the issuance of not to exceed \$29,765,000 in school improvement unlimited tax general obligation refunding bonds at an interest rate of 4.25%. These refunding bonds will advance refund as much of the current outstanding principal amount of the 2005 bond issuance.

**NOTE 22- CONTRACT COMMITMENTS**

At June 30, 2006, the District had the following contract commitments for the purposes of renovations to District buildings.

Vendor	Contract Amount	Amount Paid	Remaining Amount
Quandel Group, Inc.	\$1,750,075	\$1,059,891	\$690,184
Fanning/Howey Associates, Inc.	1,912,640	1,534,970	377,670
LEPI Enterprises	167,938	48,456	119,482
TP Mechanical Contractors	5,897,662	3,465,379	2,432,283
RW Setterlin Building Co.	14,690,000	6,336,535	8,353,465
Pro-Onsite Technologies	490,187	214,334	275,853
C&T Design & Equipment	340,800	27,545	313,255
Capital Equipment	804,500	80,621	723,879
Accurate Electric	2,988,079	1,550,075	1,438,004
AJ Stockmeister, Inc.	1,689,032	880,281	808,751
Continental Office	164,663	0	164,663
Microman, Inc.	455,998	0	455,998



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

**Chillicothe City School District  
Fund Descriptions**

**Special Revenue Funds**

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

*Nonmajor Special Revenue Funds*

*Food Service Fund*

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

*Uniform School Supplies*

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

*Rotary*

A fund to account for multi-district handicap programs.

*Public School Support*

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

*Other Local Grants*

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

*District Managed Activities*

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

*Auxiliary Services*

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

*Teacher Development*

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

**Chillicothe City School District**  
**Fund Descriptions**

*Nonmajor Special Revenue Funds (Continued)*

*Education Management Information*

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

*Public School Preschool*

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

*OneNet Network*

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

*School Net Training*

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

*Ohio Reads*

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

*Poverty Based Aid*

A fund used to account for monies appropriated for poverty based assistance as part of the state foundation system.

*Miscellaneous State Grants*

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

*Title VI-B Fund*

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

*Title I*

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

*Title VI*

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

**Chillicothe City School District**  
**Fund Descriptions**

*Nonmajor Special Revenue Funds (Continued)*

*Drug-Free School*

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

*Improving Teacher Quality*

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

*Miscellaneous Federal Grants*

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

*Nonmajor Capital Project Funds*

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

*Permanent Improvement*

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

*SchoolNet*

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

*Nonmajor Permanent Fund*

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

*Alumni Library*

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

**Chillicothe City School District**  
*Combining Balance Sheet*  
*Nonmajor Governmental Funds*  
*June 30, 2006*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
<b><i>Assets:</i></b>				
Equity in Pooled Cash and Cash Equivalents	\$652,874	\$2,053,869	\$492,312	\$3,199,055
Taxes Receivable	0	1,063,403	0	1,063,403
Accounts Receivable	58	0	0	58
Accrued Interest Receivable	0	0	3,590	3,590
Intergovernmental Receivable	481,529	0	0	481,529
<i>Total Assets</i>	1,134,461	3,117,272	495,902	4,747,635
 <b><i>Liabilities and Fund Balances:</i></b>				
<b><i>Liabilities</i></b>				
Accounts Payable	10,580	545	0	11,125
Accrued Wages and Benefits	524,755	15,803	0	540,558
Interfund Payable	76,760	0	0	76,760
Intergovernmental Payable	167,329	16,111	0	183,440
Matured Compensated Absences Payable	773	0	0	773
Deferred Revenue	155,417	862,885	0	1,018,302
<i>Total Liabilities</i>	935,614	895,344	0	1,830,958
 <b><i>Fund Balances:</i></b>				
Reserved for Encumbrances	38,044	462,625	0	500,669
Reserved for Property Taxes	0	200,518	0	200,518
Reserved for Library Purposes	0	0	450,000	450,000
Undesignated - Reported in:				
Special Revenue	160,803	0	0	160,803
Capital Projects	0	1,558,785	0	1,558,785
Permanent	0	0	45,902	45,902
<i>Total Fund Balances</i>	198,847	2,221,928	495,902	2,916,677
<i>Total Liabilities and Fund Balances</i>	\$1,134,461	\$3,117,272	\$495,902	\$4,747,635



**Chillicothe City School District**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Governmental Funds*  
*For the Fiscal Year Ended June 30, 2006*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Property and Other Local Taxes	\$0	\$1,128,261	\$0	\$1,128,261
Intergovernmental	4,986,294	104,698	0	5,090,992
Interest	5,457	0	16,061	21,518
Tuition and Fees	259,285	0	0	259,285
Extracurricular Activities	131,378	0	0	131,378
Gifts and Donations	28,140	0	0	28,140
Customer Sales and Services	506,194	0	0	506,194
Payments in lieu of taxes	0	5,422	0	5,422
Miscellaneous	199,289	0	0	199,289
<b>Total Revenues</b>	<b>6,116,037</b>	<b>1,238,381</b>	<b>16,061</b>	<b>7,370,479</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,033,531	286,827	0	2,320,358
Special	786,432	0	0	786,432
Other	244,578	0	0	244,578
Support Services:				
Pupil	657,523	89	0	657,612
Instructional Staff	654,569	97,812	12	752,393
Administration	75,991	9,046	0	85,037
Business	0	1,882	0	1,882
Fiscal	35,312	26,555	0	61,867
Operation and Maintenance of Plant	1,627	323,529	0	325,156
Pupil Transportation	0	76,355	0	76,355
Central	10,501	41,664	0	52,165
Operation of Non-Instructional Services	1,307,943	0	0	1,307,943
Extracurricular Activities	136,632	0	0	136,632
Capital Outlay	53,413	56,931	0	110,344
<b>Total Expenditures</b>	<b>5,998,052</b>	<b>920,690</b>	<b>12</b>	<b>6,918,754</b>
Excess of Revenues Over/(Under) Expenditures	117,985	317,691	16,049	451,725
<b>Other Financing Sources:</b>				
Transfers - In	5,337	941,534	0	946,871
Proceeds from Sale of Capital Assets	146	85,000	0	85,146
Transfers - Out	0	(85,000)	0	(85,000)
<b>Total Other Financing Sources</b>	<b>5,483</b>	<b>941,534</b>	<b>0</b>	<b>947,017</b>
<b>Net Change in Fund Balances</b>	<b>123,468</b>	<b>1,259,225</b>	<b>16,049</b>	<b>1,398,742</b>
<b>Fund Balances at Beginning of Year</b>	<b>75,379</b>	<b>962,703</b>	<b>479,853</b>	<b>1,517,935</b>
<b>Fund Balances at End of Year</b>	<b>\$198,847</b>	<b>\$2,221,928</b>	<b>\$495,902</b>	<b>\$2,916,677</b>

**Chillicothe City School District**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*June 30, 2006*

	Food Service	Uniform School Supplies	Rotary	Public School Support
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$167,551	\$7,076	\$1,487	\$166,413
Accounts Receivable	0	0	0	58
Intergovernmental Receivable	58,276	0	0	0
<i>Total Assets</i>	<u>\$225,827</u>	<u>\$7,076</u>	<u>\$1,487</u>	<u>\$166,471</u>
 <b>Liabilities and Fund Balances:</b>				
<b>Liabilities</b>				
Accounts Payable	\$0	\$0	\$0	\$2,001
Accrued Wages and Benefits	91,553	0	0	1,254
Interfund Payable	0	47,491	0	982
Intergovernmental Payable	52,338	0	0	6,143
Matured Compensated Absences Payable	0	0	0	0
Deferred Revenue	0	0	0	0
<i>Total Liabilities</i>	143,891	47,491	0	10,380
 <b>Fund Balances:</b>				
Reserved for Encumbrances	5,046	4,643	0	5,328
Unreserved, undesignated - Special Revenue	76,890	(45,058)	1,487	150,763
<i>Total Fund Balances</i>	81,936	(40,415)	1,487	156,091
<i>Total Liabilities and Fund Balances</i>	<u>\$225,827</u>	<u>\$7,076</u>	<u>\$1,487</u>	<u>\$166,471</u>

<u>Other Local Grants</u>	<u>District Managed Activities</u>	<u>Auxilliary Services</u>	<u>Teacher Development</u>	<u>Public School Preschool</u>
\$10,848	\$53,825	\$27,340	\$1	\$0
0	0	0	0	0
0	0	0	0	39,847
<u>\$10,848</u>	<u>\$53,825</u>	<u>\$27,340</u>	<u>\$1</u>	<u>\$39,847</u>
\$81	\$0	\$0	\$0	\$0
0	214	4,248	0	27,520
0	0	0	0	4,467
65	512	1,106	0	8,382
0	0	0	0	0
0	0	0	0	10,905
<u>146</u>	<u>726</u>	<u>5,354</u>	<u>0</u>	<u>51,274</u>
45	2,195	4,748	0	1,204
<u>10,657</u>	<u>50,904</u>	<u>17,238</u>	<u>1</u>	<u>(12,631)</u>
<u>10,702</u>	<u>53,099</u>	<u>21,986</u>	<u>1</u>	<u>(11,427)</u>
<u>\$10,848</u>	<u>\$53,825</u>	<u>\$27,340</u>	<u>\$1</u>	<u>\$39,847</u>

(Continued)

**Chillicothe City School District**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*June 30, 2006*

	OneNet Network	Schoolnet Training	Ohio Reads
<b><i>Assets:</i></b>			
Equity in Pooled Cash and Cash Equivalents	\$129	\$2,763	\$0
Accounts Receivable	0	0	0
Intergovernmental Receivable	0	0	6,297
<i>Total Assets</i>	\$129	\$2,763	\$6,297
 <b><i>Liabilities and Fund Balances:</i></b>			
<b><i>Liabilities</i></b>			
Accounts Payable	\$0	\$89	\$335
Accrued Wages and Benefits	0	0	0
Interfund Payable	0	0	5,927
Intergovernmental Payable	0	6	122
Matured Compensated Absences Payable	0	0	0
Deferred Revenue	0	0	0
<i>Total Liabilities</i>	0	95	6,384
 <b><i>Fund Balances:</i></b>			
Reserved for Encumbrances	129	0	35
Unreserved, undesignated	0	2,668	(122)
<i>Total Fund Balances</i>	129	2,668	(87)
<i>Total Liabilities and Fund Balances</i>	\$129	\$2,763	\$6,297

Poverty Based Aid	Miscellaneous State Grants	Title VI-B	Title I	Title VI	Drug Free School
\$179,622	\$3,838	\$26,585	\$3,653	\$347	\$5
0	0	0	0	0	0
0	0	112,997	173,522	528	5,382
<u>\$179,622</u>	<u>\$3,838</u>	<u>\$139,582</u>	<u>\$177,175</u>	<u>\$875</u>	<u>\$5,387</u>
\$0	\$0	\$6,385	\$1,689	\$0	\$0
203,890	0	84,137	90,823	388	5,267
0	0	7,078	2,593	0	178
43,192	1,070	26,404	24,431	61	435
0	0	773	0	0	0
0	0	10,557	83,481	0	2,541
<u>247,082</u>	<u>1,070</u>	<u>135,334</u>	<u>203,017</u>	<u>449</u>	<u>8,421</u>
	0	9,230	4,447	0	4
<u>(67,460)</u>	<u>2,768</u>	<u>(4,982)</u>	<u>(30,289)</u>	<u>426</u>	<u>(3,038)</u>
<u>(67,460)</u>	<u>2,768</u>	<u>4,248</u>	<u>(25,842)</u>	<u>426</u>	<u>(3,034)</u>
<u>\$179,622</u>	<u>\$3,838</u>	<u>\$139,582</u>	<u>\$177,175</u>	<u>\$875</u>	<u>\$5,387</u>

(Continued)

**Chillicothe City School District**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*June 30, 2006*

	Improving Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1	\$1,390	\$652,874
Accounts Receivable	0	0	58
Intergovernmental Receivable	81,971	2,709	481,529
<i>Total Assets</i>	\$81,972	\$4,099	\$1,134,461
 <b>Liabilities and Fund Balances:</b>			
<b>Liabilities</b>			
Accounts Payable	\$0	\$0	\$10,580
Accrued Wages and Benefits	15,461	0	524,755
Interfund Payable	7,537	507	76,760
Intergovernmental Payable	3,052	10	167,329
Matured Compensated Absences Payable	0	0	773
Deferred Revenue	47,243	690	155,417
<i>Total Liabilities</i>	73,293	1,207	935,614
 <b>Fund Balances:</b>			
Reserved for Encumbrances	0	990	38,044
Unreserved, undesignated-Special Revenue Fund	8,679	1,902	160,803
<i>Total Fund Balances</i>	8,679	2,892	198,847
<i>Total Liabilities and Fund Balances</i>	\$81,972	\$4,099	\$1,134,461



**Chillicothe City School District**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Special Revenue Funds*  
*For the Fiscal Year Ended June 30, 2006*

	Food Service	Uniform School Supplies	Rotary
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Intergovernmental	\$614,714	\$0	0
Interest	5,457	0	0
Tuition and Fees	0	62,633	0
Extracurricular Activities	0	0	194
Gifts and Donations	0	0	0
Customer Sales and Services	506,194	0	0
Miscellaneous	6,020	0	0
	<u>1,132,385</u>	<u>62,633</u>	<u>194</u>
<i>Total Revenues</i>			
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,647	80,810	0
Special	0	0	0
Other	0	0	0
Support Services:			
Pupil	0	0	0
Instructional Staff	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	1,102,207	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
	<u>1,105,854</u>	<u>80,810</u>	<u>0</u>
<i>Total Expenditures</i>			
Excess of Revenues Over/(Under) Expenditures	26,531	(18,177)	194
<b>Other Financing Sources:</b>			
Transfers - In	0	0	0
Proceeds from Sale of Capital Assets	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources</i>			
<i>Net Change in Fund Balances</i>	26,531	(18,177)	194
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>55,405</u>	<u>(22,238)</u>	<u>1,293</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$81,936</u></u>	<u><u>(\$40,415)</u></u>	<u><u>\$1,487</u></u>



<u>Public School Support</u>	<u>Other Local Grants</u>	<u>District Managed Activities</u>	<u>Auxilliary Services</u>	<u>Teacher Development</u>
\$55,600	\$6,546	\$0	\$132,667	\$0
0	0	0	0	0
195,614	0	1,038	0	0
52,626	0	78,558	0	0
20,035	2,900	5,205	0	0
0	0	0	0	0
52,419	0	36,901	0	0
<u>376,294</u>	<u>9,446</u>	<u>121,702</u>	<u>132,667</u>	<u>0</u>
215,109	2,395	0	0	0
0	0	0	0	935
0	0	0	0	0
15,525	0	0	13,675	0
83,476	23,261	0	726	0
2,103	0	0	0	0
0	0	0	0	0
1,627	0	0	0	0
250	0	0	0	0
34,239	0	0	119,836	0
0	0	136,632	0	0
0	0	0	0	0
<u>352,329</u>	<u>25,656</u>	<u>136,632</u>	<u>134,237</u>	<u>935</u>
23,965	(16,210)	(14,930)	(1,570)	(935)
0	0	0	0	0
0	0	146	0	0
<u>0</u>	<u>0</u>	<u>146</u>	<u>0</u>	<u>0</u>
23,965	(16,210)	(14,784)	(1,570)	(935)
<u>132,126</u>	<u>26,912</u>	<u>67,883</u>	<u>23,556</u>	<u>936</u>
<u>\$156,091</u>	<u>\$10,702</u>	<u>\$53,099</u>	<u>\$21,986</u>	<u>\$1</u>

(Continued)

**Chillicothe City School District**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Special Revenue Funds*  
*For the Fiscal Year Ended June 30, 2006*

	Education Management Information	Public School Preschool	OneNet Network
<b>Revenues:</b>			
Intergovernmental	\$10,253	\$234,917	\$18,000
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Customer Sales and Services	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>10,253</u>	<u>234,917</u>	<u>18,000</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	0	169,913	0
Special	0	0	0
Other	0	0	0
Support Services:			
Pupil	0	6,699	0
Instructional Staff	0	55,954	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Central	10,251	0	0
Operation of Non-Instructional Services	0	0	17,871
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
<i>Total Expenditures</i>	<u>10,251</u>	<u>232,566</u>	<u>17,871</u>
Excess of Revenues Over/(Under) Expenditures	2	2,351	129
<b>Other Financing Sources:</b>			
Transfers - In	0	0	0
Proceeds from Sale of Capital Assets	0	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	2	2,351	129
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>(2)</u>	<u>(13,778)</u>	<u>0</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$0</u></u>	<u><u>(\$11,427)</u></u>	<u><u>\$129</u></u>

<u>Schoolnet Training</u>	<u>Ohio Reads</u>	<u>Poverty Based Aid</u>	<u>Miscellaneous State Grants</u>
\$3,925	\$48,000	\$1,862,531	\$65,175
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>3,925</u>	<u>48,000</u>	<u>1,862,531</u>	<u>65,175</u>
545	31,483	1,357,283	0
0	0	0	0
0	0	244,578	0
0	0	1,443	0
0	18,152	120,900	61,925
2,866	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	32,598	0
0	0	0	0
0	0	0	0
<u>3,411</u>	<u>49,635</u>	<u>1,756,802</u>	<u>61,925</u>
514	(1,635)	105,729	3,250
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
514	(1,635)	105,729	3,250
<u>2,154</u>	<u>1,548</u>	<u>(173,189)</u>	<u>(482)</u>
<u>\$2,668</u>	<u>(\$87)</u>	<u>(\$67,460)</u>	<u>\$2,768</u>

(Continued)

**Chillicothe City School District**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Special Revenue Funds*  
*For the Fiscal Year Ended June 30, 2006*

	<u>Title VI-B</u>	<u>Title I</u>	<u>Title VI</u>
<b>Revenues:</b>			
Intergovernmental	\$917,926	\$744,065	\$11,766
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Customer Sales and Services	0	0	0
Miscellaneous	37,953	64,531	0
<i>Total Revenues</i>	<u>955,879</u>	<u>808,596</u>	<u>11,766</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	0	0	0
Special	269,231	514,256	0
Other	0	0	0
Support Services:			
Pupil	485,076	92,758	9,985
Instructional Staff	70,581	170,923	0
Administration	49,172	21,850	0
Fiscal	14,611	15,799	0
Operation and Maintenance of Plant	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	127
Extracurricular Activities	0	0	0
Capital Outlay	53,413	0	0
<i>Total Expenditures</i>	<u>942,084</u>	<u>815,586</u>	<u>10,112</u>
Excess of Revenues Over/(Under) Expenditures	13,795	(6,990)	1,654
<b>Other Financing Sources:</b>			
Transfers In	0	2,165	0
Proceeds from Sale of Capital Assets	0	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>2,165</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	13,795	(4,825)	1,654
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>(9,547)</u>	<u>(21,017)</u>	<u>(1,228)</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$4,248</u></u>	<u><u>(\$25,842)</u></u>	<u><u>\$426</u></u>

<u>Drug Free School</u>	<u>Improving Teacher Quality</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$25,030	\$216,832	\$18,347	\$4,986,294
0	0	0	5,457
0	0	0	259,285
0	0	0	131,378
0	0	0	28,140
0	0	0	506,194
0	1,465	0	199,289
<u>25,030</u>	<u>218,297</u>	<u>18,347</u>	<u>6,116,037</u>
0	158,295	14,051	2,033,531
0	0	2,010	786,432
0	0	0	244,578
32,362	0	0	657,523
0	48,671	0	654,569
0	0	0	75,991
0	4,622	280	35,312
0	0	0	1,627
0	0	0	10,501
333	732	0	1,307,943
0	0	0	136,632
0	0	0	53,413
<u>32,695</u>	<u>212,320</u>	<u>16,341</u>	<u>5,998,052</u>
(7,665)	5,977	2,006	117,985
3,171	0	1	5,337
0	0	0	146
<u>3,171</u>	<u>0</u>	<u>1</u>	<u>5,483</u>
(4,494)	5,977	2,007	123,468
<u>1,460</u>	<u>2,702</u>	<u>885</u>	<u>75,379</u>
<u>(\$3,034)</u>	<u>\$8,679</u>	<u>\$2,892</u>	<u>\$198,847</u>

**Chillicothe City School District**  
*Combining Balance Sheet*  
*Nonmajor Capital Project Funds*  
*June 30, 2006*

	Permanent Improvement	Schoolnet	Total Nonmajor Capital Projects Funds
<b><i>Assets:</i></b>			
Equity in Pooled Cash and Cash Equivalents	\$2,053,868	\$1	\$2,053,869
Taxes Receivable	1,063,403	0	1,063,403
<i>Total Assets</i>	\$3,117,271	\$1	\$3,117,272
 <b><i>Liabilities and Fund Balances:</i></b>			
<b><i>Liabilities:</i></b>			
Accounts Payable	545	0	545
Accrued Wages and Benefits	15,803	0	15,803
Deferred Revenue	862,885	0	862,885
Intergovernmental Payable	16,111	0	16,111
<i>Total Liabilities</i>	895,344	0	895,344
 <b><i>Fund Balances:</i></b>			
Reserved:			
Reserved for Encumbrances	462,625	0	462,625
Reserved for Property Taxes	200,518	0	200,518
Unreserved, undesignated:			
Capital Projects Funds	1,558,784	1	1,558,785
<i>Total Fund Balances</i>	2,221,927	1	2,221,928
<i>Total Liabilities and Fund Balances</i>	\$3,117,271	\$1	\$3,117,272

**Chillicothe City School District**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Capital Project Funds*  
*For the Fiscal Year Ended June 30, 2006*

	Permanent Improvement	Schoolnet	Total Nonmajor Capital Projects Funds
<b>Revenues:</b>			
Property and Other Local Taxes	\$1,128,261	\$0	\$1,128,261
Intergovernmental	104,698	0	104,698
Payments in lieu of taxes	5,422	0	5,422
<i>Total Revenues</i>	<u>1,238,381</u>	<u>0</u>	<u>1,238,381</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	286,827	0	286,827
Support Services:			
Instructional Staff	97,812	0	97,812
Pupils	89	0	89
Administration	9,046	0	9,046
Fiscal	26,555	0	26,555
Business	1,882	0	1,882
Operation & Maint. Of Plant	323,529	0	323,529
Pupil Transportation	76,355	0	76,355
Central	41,664	0	41,664
Capital Outlay	56,931	0	56,931
<i>Total Expenditures</i>	<u>920,690</u>	<u>0</u>	<u>920,690</u>
Excess of Revenues Over/(Under) Expenditures	317,691	0	317,691
<b><u>Other Financing Sources/(Uses):</u></b>			
Transfers - In	941,534	0	941,534
Proceeds from Sale of Capital Assets	85,000	0	85,000
Transfers Out	(85,000)	0	(85,000)
<i>Total Other Financing Sources/(Uses)</i>	<u>941,534</u>	<u>0</u>	<u>941,534</u>
<i>Net Change in Fund Balances</i>	1,259,225	0	1,259,225
<i>Fund Balances at Beginning of Year</i>	<u>962,702</u>	<u>1</u>	<u>962,703</u>
<i>Fund Balances at End of Year</i>	<u><u>\$2,221,927</u></u>	<u><u>\$1</u></u>	<u><u>\$2,221,928</u></u>

**Chillicothe City School District**  
*Balance Sheet*  
*Nonmajor Permanent Fund*  
*June 30, 2006*

	<u>Alumni Library</u>
<b><i>Assets:</i></b>	
Equity in Pooled Cash and Cash Equivalents	\$492,312
Accrued Interest Receivable	<u>3,590</u>
<i>Total Assets</i>	<u><u>\$495,902</u></u>
<b><i>Liabilities and Fund Balance:</i></b>	
<b><i>Fund Balance:</i></b>	
Reserved for Library Purposes	450,000
Undesignated - Reported in Permanent Fund	<u>45,902</u>
<i>Total Fund Balance</i>	<u><u>495,902</u></u>
 <i>Total Liabilities and Fund Balance</i>	 <u><u>\$495,902</u></u>



**Chillicothe City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balance*  
*Nonmajor Permanent Fund*  
*For the Fiscal Year Ended June 30, 2006*

	<u>Alumni Library</u>
<b><i>Revenues:</i></b>	
Interest	<u>\$16,061</u>
<i>Total Revenues</i>	<u>16,061</u>
<b><i>Expenditures:</i></b>	
Current:	
Support Services:	
Instructional Staff	<u>12</u>
<i>Total Expenditures</i>	<u>12</u>
<i>Net Change in Fund Balance</i>	16,049
<i>Fund Balance at Beginning of Year</i>	<u>479,853</u>
<i>Fund Balance at End of Year</i>	<u><u>\$495,902</u></u>

**Chillicothe City School District  
Fund Descriptions**

**Agency Funds**

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

*District Agency Fund*

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

*Student Activities Fund*

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

**Chillicothe City School District**

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

Year Ended June 30, 2006

	<u>Balance 07/01/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
<b>DISTRICT AGENCY FUND</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$12,905</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,905</u>
Total Assets	<u>12,905</u>	<u>0</u>	<u>0</u>	<u>12,905</u>
<b>Liabilities</b>				
Undistributed Monies	<u>12,905</u>	<u>0</u>	<u>0</u>	<u>12,905</u>
Total Liabilities	<u>\$12,905</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,905</u>
<b>STUDENT MANAGED ACTIVITIES</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$68,261</u>	<u>\$116,457</u>	<u>\$111,426</u>	<u>\$73,292</u>
Total Assets	<u>\$68,261</u>	<u>\$116,457</u>	<u>\$111,426</u>	<u>\$73,292</u>
<b>Liabilities</b>				
Due to Students	<u>\$68,261</u>	<u>\$116,457</u>	<u>\$111,426</u>	<u>73,292</u>
Total Liabilities	<u>\$68,261</u>	<u>\$116,457</u>	<u>\$111,426</u>	<u>\$73,292</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$81,166</u>	<u>\$116,457</u>	<u>\$111,426</u>	<u>\$86,197</u>
Total Assets	<u>\$81,166</u>	<u>\$116,457</u>	<u>\$111,426</u>	<u>\$86,197</u>
<b>Liabilities</b>				
Undistributed Monies	12,905	0	0	12,905
Due to Students	<u>68,261</u>	<u>116,457</u>	<u>111,426</u>	<u>73,292</u>
Total Liabilities	<u>\$81,166</u>	<u>\$116,457</u>	<u>\$111,426</u>	<u>\$86,197</u>

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

**Chillicothe City School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Debt Service Fund</b>				
Total Revenues and Other Sources	\$2,087,015	\$2,102,126	\$2,188,356	\$86,230
Total Expenditures and Other Uses	<u>2,105,043</u>	<u>2,120,154</u>	<u>1,991,997</u>	<u>128,157</u>
Net Change in Fund Balance	(18,028)	(18,028)	196,359	214,387
Fund Balance, July 1	18,028	18,028	18,028	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$214,387</u></u>	<u><u>\$214,387</u></u>
<b>Construction Fund</b>				
Total Revenues and Other Sources	\$685,682	\$685,682	\$342,991	(\$342,691)
Total Expenditures and Other Uses	<u>31,880,917</u>	<u>31,880,917</u>	<u>30,112,391</u>	<u>1,768,526</u>
Net Change in Fund Balance	(31,195,235)	(31,195,235)	(29,769,400)	1,425,835
Fund Balance, July 1	29,783,188	29,783,188	29,783,188	0
Prior Year Encumbrances Appropriated	<u>1,754,888</u>	<u>1,754,888</u>	<u>1,754,888</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$342,841</u></u>	<u><u>\$342,841</u></u>	<u><u>\$1,768,676</u></u>	<u><u>\$1,425,835</u></u>

**Chillicothe City School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Food Service</b>				
Total Revenues and Other Sources	\$1,209,600	\$1,071,371	\$1,074,396	\$3,025
Total Expenditures and Other Uses	<u>1,417,885</u>	<u>1,279,656</u>	<u>1,120,176</u>	<u>159,480</u>
Net Change in Fund Balance	(208,285)	(208,285)	(45,780)	162,505
Fund Balance, July 1	196,592	196,592	196,592	0
Prior Year Encumbrances Appropriated	<u>11,693</u>	<u>11,693</u>	<u>11,693</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$162,505</u></u>	<u><u>\$162,505</u></u>
<b>Uniform School Supplies</b>				
Total Revenues and Other Sources	\$104,403	\$110,656	\$110,234	(\$422)
Total Expenditures and Other Uses	<u>121,567</u>	<u>127,820</u>	<u>124,976</u>	<u>2,844</u>
Net Change in Fund Balance	(17,164)	(17,164)	(14,742)	2,422
Fund Balance, July 1	12,208	12,208	12,208	0
Prior Year Encumbrances Appropriated	<u>4,968</u>	<u>4,968</u>	<u>4,968</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$12</u></u>	<u><u>\$12</u></u>	<u><u>\$2,434</u></u>	<u><u>\$2,422</u></u>
<b>Rotary Fund</b>				
Total Revenues and Other Sources	\$0	\$0	\$194	\$194
Total Expenditures and Other Uses	<u>1,295</u>	<u>1,295</u>	<u>0</u>	<u>1,295</u>
Net Change in Fund Balance	(1,295)	(1,295)	194	1,489
Fund Balance, July 1	<u>1,295</u>	<u>1,295</u>	<u>1,295</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$1,489</u></u>	<u><u>\$1,489</u></u>

**Chillicothe City School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Public School Support</b>				
Total Revenues and Other Sources	\$294,781	\$395,262	\$377,349	(\$17,913)
Total Expenditures and Other Uses	<u>436,876</u>	<u>537,357</u>	<u>360,350</u>	<u>177,007</u>
Net Change in Fund Balance	(142,095)	(142,095)	16,999	159,094
Fund Balance, July 1	134,454	134,454	134,454	0
Prior Year Encumbrances Appropriated	<u>7,641</u>	<u>7,641</u>	<u>7,641</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$159,094</u></u>	<u><u>\$159,094</u></u>
<b>Other Local Grants Fund</b>				
Total Revenues and Other Sources	\$8,446	\$8,446	\$9,446	\$1,000
Total Expenditures and Other Uses	<u>31,723</u>	<u>38,270</u>	<u>28,545</u>	<u>9,725</u>
Net Change in Fund Balance	(23,277)	(29,824)	(19,099)	10,725
Fund Balance, July 1	29,325	29,325	29,325	0
Prior Year Encumbrances Appropriated	<u>499</u>	<u>499</u>	<u>499</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$6,547</u></u>	<u><u>\$0</u></u>	<u><u>\$10,725</u></u>	<u><u>\$10,725</u></u>
<b>District Managed Activities</b>				
Total Revenues and Other Sources	\$137,900	\$108,529	\$121,848	\$13,319
Total Expenditures and Other Uses	<u>206,532</u>	<u>177,161</u>	<u>138,839</u>	<u>38,322</u>
Net Change in Fund Balance	(68,632)	(68,632)	(16,991)	51,641
Fund Balance, July 1	59,445	59,445	59,445	0
Prior Year Encumbrances Appropriated	<u>9,187</u>	<u>9,187</u>	<u>9,187</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$51,641</u></u>	<u><u>\$51,641</u></u>

**Chillicothe City School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Auxiliary Services</b>				
Total Revenues and Other Sources	\$136,243	\$132,667	\$132,667	\$0
Total Expenditures and Other Uses	161,016	157,440	134,849	22,591
Net Change in Fund Balance	(24,773)	(24,773)	(2,182)	22,591
Fund Balance, July 1	2	2	2	0
Prior Year Encumbrances Appropriated	24,771	24,771	24,771	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$22,591</u>	<u>\$22,591</u>
<b>Teacher Development</b>				
Total Revenues and Other Sources	\$33,858	\$33,858	\$33,858	\$0
Total Expenditures and Other Uses	35,124	35,124	35,124	0
Net Change in Fund Balance	(1,266)	(1,266)	(1,266)	0
Fund Balance, July 1	1	1	1	0
Prior Year Encumbrances Appropriated	1,266	1,266	1,266	0
Fund Balance, June 30	<u>\$1</u>	<u>\$1</u>	<u>\$1</u>	<u>\$0</u>
<b>Education Management Information</b>				
Total Revenues and Other Sources	\$7,000	\$10,251	\$10,251	\$0
Total Expenditures and Other Uses	7,000	10,251	10,251	0
Net Change in Fund Balance	0	0	0	0
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>



**Chillicothe City School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Public School Preschool</b>				
Total Revenues and Other Sources	\$275,036	\$275,036	\$240,142	(\$34,894)
Total Expenditures and Other Uses	<u>275,522</u>	<u>275,522</u>	<u>241,893</u>	<u>33,629</u>
Net Change in Fund Balance	(486)	(486)	(1,751)	(1,265)
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>486</u>	<u>486</u>	<u>486</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$1,265)</u></u>	<u><u>(\$1,265)</u></u>
<b>OneNet Network</b>				
Total Revenues and Other Sources	\$18,000	\$18,000	\$18,000	\$0
Total Expenditures and Other Uses	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<b>Schoolnet Training</b>				
Total Revenues and Other Sources	\$3,300	\$3,925	\$3,925	\$0
Total Expenditures and Other Uses	<u>5,488</u>	<u>6,113</u>	<u>3,438</u>	<u>2,675</u>
Net Change in Fund Balance	(2,188)	(2,188)	487	2,675
Fund Balance, July 1	2,188	2,188	2,188	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$2,675</u></u>	<u><u>\$2,675</u></u>

**Chillicothe City School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Ohio Reads</b>				
Total Revenues and Other Sources	\$53,683	\$53,683	\$53,312	(\$371)
Total Expenditures and Other Uses	<u>55,269</u>	<u>55,269</u>	<u>55,269</u>	<u>0</u>
Net Change in Fund Balance	(1,586)	(1,586)	(1,957)	(371)
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>1,586</u>	<u>1,586</u>	<u>1,586</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$371)</u></u>	<u><u>(\$371)</u></u>
<b>Poverty Based</b>				
Total Revenues and Other Sources	\$1,863,781	\$1,862,531	\$1,862,531	\$0
Total Expenditures and Other Uses	<u>1,863,781</u>	<u>1,862,531</u>	<u>1,682,905</u>	<u>179,626</u>
Net Change in Fund Balance	0	0	179,626	179,626
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$179,626</u></u>	<u><u>\$179,626</u></u>
<b>Miscellaneous State Grant</b>				
Total Revenues and Other Sources	\$64,375	\$65,175	\$65,175	\$0
Total Expenditures and Other Uses	<u>68,512</u>	<u>69,312</u>	<u>65,470</u>	<u>3,842</u>
Net Change in Fund Balance	(4,137)	(4,137)	(295)	3,842
Fund Balance, July 1	3,747	3,747	3,747	0
Prior Year Encumbrances Appropriated	<u>390</u>	<u>390</u>	<u>390</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$3,842</u></u>	<u><u>\$3,842</u></u>

**Chillicothe City School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Title VI-B</b>				
Total Revenues and Other Sources	\$1,081,515	\$1,119,468	\$1,001,232	(\$118,236)
Total Expenditures and Other Uses	<u>1,082,627</u>	<u>1,120,580</u>	<u>991,371</u>	<u>129,209</u>
Net Change in Fund Balance	(1,112)	(1,112)	9,861	10,973
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>1,112</u>	<u>1,112</u>	<u>1,112</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$10,973</u></u>	<u><u>\$10,973</u></u>
<b>Title I</b>				
Total Revenues and Other Sources	\$982,921	\$1,018,643	\$795,267	(\$223,376)
Total Expenditures and Other Uses	<u>1,114,795</u>	<u>1,150,515</u>	<u>929,617</u>	<u>220,898</u>
Net Change in Fund Balance	(131,874)	(131,872)	(134,350)	(2,478)
Fund Balance, July 1	124,025	124,025	124,025	0
Prior Year Encumbrances Appropriated	<u>7,851</u>	<u>7,851</u>	<u>7,851</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$2</u></u>	<u><u>\$4</u></u>	<u><u>(\$2,474)</u></u>	<u><u>(\$2,478)</u></u>
<b>Title VI</b>				
Total Revenues and Other Sources	\$11,795	\$11,766	\$11,238	(\$528)
Total Expenditures and Other Uses	<u>11,794</u>	<u>11,765</u>	<u>10,891</u>	<u>874</u>
Net Change in Fund Balance	1	1	347	346
Fund Balance, July 1	1	1	1	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$2</u></u>	<u><u>\$2</u></u>	<u><u>\$348</u></u>	<u><u>\$346</u></u>

**Chillicothe City School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Drug Free School</b>				
Total Revenues and Other Sources	\$33,075	\$33,075	\$25,538	(\$7,537)
Total Expenditures and Other Uses	39,876	39,876	32,339	7,537
Net Change in Fund Balance	(6,801)	(6,801)	(6,801)	0
Fund Balance, July 1	3,712	3,712	3,712	0
Prior Year Encumbrances Appropriated	3,089	3,089	3,089	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Improving Teacher Quality</b>				
Total Revenues and Other Sources	\$315,013	\$311,118	\$230,315	(\$80,803)
Total Expenditures and Other Uses	315,020	311,125	230,384	80,741
Net Change in Fund Balance	(7)	(7)	(69)	(62)
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	7	7	7	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>(\$62)</u>	<u>(\$62)</u>
<b>Miscellaneous Federal Grant</b>				
Total Revenues and Other Sources	\$22,126	\$21,897	\$16,833	(\$5,064)
Total Expenditures and Other Uses	23,055	22,826	17,357	5,469
Net Change in Fund Balance	(929)	(929)	(524)	405
Fund Balance, July 1	929	929	929	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$405</u>	<u>\$405</u>

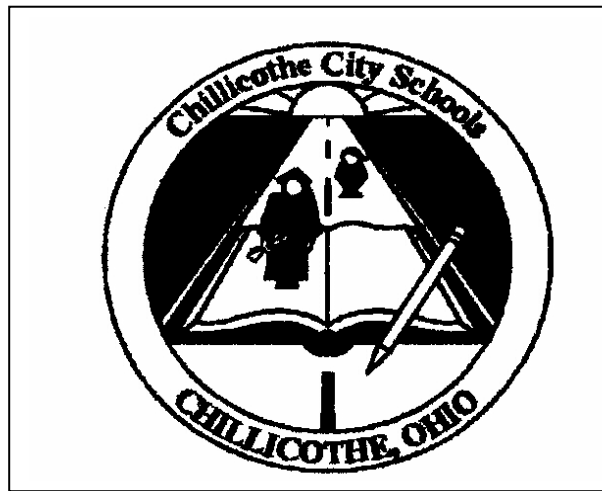
**Chillicothe City School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Permanent Improvement</b>				
Total Revenues and Other Sources	\$2,015,295	\$2,023,438	\$2,154,555	\$131,117
Total Expenditures and Other Uses	<u>2,924,075</u>	<u>2,932,218</u>	<u>1,472,092</u>	<u>1,460,126</u>
Net Change in Fund Balance	(908,780)	(908,780)	682,463	1,591,243
Fund Balance, July 1	872,544	872,544	872,544	0
Prior Year Encumbrances Appropriated	<u>36,236</u>	<u>36,236</u>	<u>36,236</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$1,591,243</u></u>	<u><u>\$1,591,243</u></u>

**Chillicothe City School District**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Alumni Library</b>				
Total Revenues and Other Sources	\$9,000	\$9,000	\$15,710	\$6,710
Total Expenditures and Other Uses	<u>36,851</u>	<u>36,851</u>	<u>12</u>	<u>36,839</u>
Net Change in Fund Balance	(27,851)	(27,851)	15,698	43,549
Fund Balance, July 1	477,852	477,852	477,852	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$450,001</u></u>	<u><u>\$450,001</u></u>	<u><u>\$493,550</u></u>	<u><u>\$43,549</u></u>

# CHILlicothe CITY SCHOOL DISTRICT



## STATISTICAL SECTION





**Chillicothe City School District**  
*Net Assets by Component*  
*Last Four Fiscal Years*  
*(accrual basis of accounting)*  
**Governmental Activities**

	2003	2004	2005	2006
Invested in Capital Assets, Net of Related Debt	\$7,515,912	\$7,155,610	\$7,397,067	\$5,679,730
Restricted for:				
Capital Projects	643,402	637,768	989,145	1,361,950
Debt Service	1	0	0	377,202
Other Purposes	879,807	0	0	341,931
Permanent:				
Non-Expendable	450,000	450,000	450,000	450,000
Expendable	13,705	19,937	29,853	45,902
Unrestricted (Deficit)	<u>(1,379,093)</u>	<u>(2,006,329)</u>	<u>(2,883,816)</u>	<u>(321,063)</u>
<b>Total Net Assets</b>	<b><u>\$8,123,734</u></b>	<b><u>\$6,256,986</u></b>	<b><u>\$5,982,249</u></b>	<b><u>\$7,935,652</u></b>

Source: School District Financial Records.

Fiscal Year 2003 is the first year reported in accordance with GASB Statement No. 34.  
The remaining years are not presented for that reason.

**Chillicothe City School District**  
*Changes in Net Assets of Governmental Activities*  
*Last Four Fiscal Years*  
*(accrual basis of accounting)*  
**Governmental Activities**

	2003	2004	2005	2006
<b>Expenses</b>				
Regular Instruction	\$12,163,589	\$12,621,430	\$12,795,621	\$13,449,213
Special Instruction	3,256,889	3,046,814	3,233,613	2,807,734
Vocational Instruction	9,408	4,067	4,424	4,094
Adult/Continuing	3,872		2,111	1,707
Other	169,954	177,316	177,912	464,322
Pupil Support	1,576,558	1,709,709	1,633,299	1,696,153
Instructional Staff Support	1,966,112	1,742,420	1,758,166	1,713,299
Board of Education	31,750	59,859	51,964	85,395
Administration	2,503,066	2,061,528	1,842,171	1,908,865
Fiscal	542,084	780,112	728,461	797,231
Business	129,933	111,094	58,209	101,697
Operation and Maintenance of Plant	2,510,074	2,509,503	2,149,903	2,510,823
Central	143,477	130,946	123,939	123,808
Pupil Transportation	955,208	865,188	874,516	812,874
Operation of Food Services	1,733,371	1,601,095	1,538,412	1,534,833
Extracurricular Activities	579,848	595,741	479,251	554,034
Interest and Fiscal Charges	101,528	491,345	1,627,989	1,843,300
<i>Total Expenses</i>	<u>28,376,721</u>	<u>28,508,167</u>	<u>29,079,961</u>	<u>30,409,382</u>
<b>Program Revenues</b>				
Charges for Services				
Regular Instruction	\$713,198	\$611,412	\$963,130	\$1,060,067
Special	112,294	91,053	0	0
Vocational	0	22,257	0	0
Other	5,973	7,082	0	0
Pupils	66,456	59,491	47,959	10,938
Instructional Staff	138,434	140,285	175,686	58,815
Board of Education	1,195	3,035	0	0
Administration	134,873	91,731	0	1,482
Fiscal	29,865	35,409	0	0
Business	7,168	5,058	0	0
Pupil Transportation	58,536	38,445	0	0
Central	7,385	3,235	0	176
Operation and Maintenance of Plant	148,235	118,638	89,227	137,487
Operation of Food Service	660,295	571,183	604,397	592,305
Extracurricular Activities	111,343	92,410	139,295	97,076
Interest & Fiscal Charges	0	0	0	0
Total Charges for Services	<u>\$2,195,250</u>	<u>\$1,890,724</u>	<u>\$2,019,694</u>	<u>\$1,958,346</u>

Source: School District Financial Records.

Fiscal Year 2003 is the first year reported in accordance with GASB Statement No. 34.  
The remaining years are not presented for that reason.

(continued)

**Chillicothe City School District**  
*Changes in Net Assets of Governmental Activities*  
*Last Four Fiscal Years*  
*(accrual basis of accounting)*  
**Governmental Activities**

	2003	2004	2005	2006
<b>Operating Grants and Contributions</b>				
Regular Instruction	1,706,400	1,561,452	1,742,468	433,595
Special Instruction	1,482,159	1,452,216	1,423,095	1,152,485
Other	0	0	0	0
Pupil Support	461,774	549,446	511,660	622,593
Instructional Support	560,757	574,790	627,153	484,113
Administration	198,362	170,399	82,422	72,025
Fiscal	13,519	18,323	42,025	31,929
Operation of Food Service	788,660	685,783	702,173	760,203
Extracurricular Activities	6,096	1,017	0	0
Operation and Maintenance of Plant	1,439	6,246	1,234	257
Pupil Transportation	354,092	413,514	355,160	38,420
Interest & Fiscal Charges	0	0	0	0
Central	12,693	18,541	13,882	10,292
<b>Total Operating Grants and Contributions</b>	<b>5,585,951</b>	<b>5,451,727</b>	<b>5,501,272</b>	<b>3,605,912</b>
<b>Capital Grants and Contributions</b>				
Regular Instruction	0	0	0	34,759
Instructional Support	0	0	0	12,040
Administration	0	0	0	1,047
Fiscal	0	0	0	3,246
Pupil Transportation	0	0	0	39,262
Operation and Maintenance of Plant	500,000	0	0	209
Central	0	0	0	9,109
Operation Food Service	0	0	0	5,026
<b>Total Capital Grants and Contributions</b>	<b>500,000</b>	<b>0</b>	<b>0</b>	<b>104,698</b>
<i>Total Program Revenues</i>	<u>8,281,201</u>	<u>7,342,451</u>	<u>7,520,966</u>	<u>5,668,956</u>
<b>Net Expense</b>	<u>(\$20,095,520)</u>	<u>(\$21,165,716)</u>	<u>(\$21,558,995)</u>	<u>(\$24,740,426)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes	\$11,974,340	\$12,197,565	\$10,767,539	\$12,449,460
Capital Projects	0	155,945	558,032	1,126,582
Debt Service	0	0	1,057,967	1,841,994
Payment in Lieu of Taxes	0	0	61,605	82,703
Grants and Donations not				
Restricted to Specific Programs	0	26,833	24,476	63,273
Grants and Entitlements not				
Restricted to Specific Programs	6,733,797	6,545,788	7,793,690	9,574,690
Investment Earnings	116,855	171,276	925,457	1,323,394
Gain on Sale of Capital Assets	0	0	0	12,053
Miscellaneous	188,866	201,561	95,492	219,680
<b>Total General Revenues</b>	<u>19,013,858</u>	<u>19,298,968</u>	<u>21,284,258</u>	<u>26,693,829</u>
<b>Change in Net Assets</b>	<u>(\$1,081,662)</u>	<u>(\$1,866,748)</u>	<u>(\$274,737)</u>	<u>\$1,953,403</u>

**Chillicothe City School District**  
*Fund Balances, Governmental Funds*  
*Last Ten Fiscal Years*  
*(modified accrual basis of accounting)*

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund				
Reserved	\$628,307	\$1,008,508	\$1,402,929	\$1,353,848
Unreserved	<u>104,213</u>	<u>44,347</u>	<u>31,162</u>	<u>(635,792)</u>
<i>Total General Fund</i>	<u>732,520</u>	<u>1,052,855</u>	<u>1,434,091</u>	<u>718,056</u>
All Other Governmental Funds				
Reserved	391,514	244,752	487,717	158,187
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	394,231	400,505	367,330	417,961
Debt Service Funds	12,760	12,719	0	(436)
Capital Projects Funds	1,601,283	1,257,394	933,036	639,498
Permanent Funds	<u>488,664</u>	<u>493,781</u>	<u>0</u>	<u>0</u>
Total All Other Governmental Funds	<u>2,888,452</u>	<u>2,409,151</u>	<u>1,788,083</u>	<u>1,215,210</u>
<i>Total Governmental Funds</i>	<u><u>\$3,620,972</u></u>	<u><u>\$3,462,006</u></u>	<u><u>\$3,222,174</u></u>	<u><u>\$1,933,266</u></u>

Source: School District Financial Records.

Fiscal Year 2003 is the first year reported in accordance with GASB Statement No. 34. Therefore, the amounts report for previous fiscal years do not include Permanent Funds.

(continued)

2001	2002	2003	2004	2005	2006
\$1,119,342	\$1,348,475	\$1,451,821	\$1,503,169	\$1,088,575	\$1,551,627
(639,757)	(1,133,099)	(1,846,805)	(1,686,553)	(1,543,184)	(1,491,014)
479,585	215,376	(394,984)	(183,384)	(454,609)	60,613
98,431	142,552	676,431	715,624	2,565,449	14,728,316
520,760	669,303	121,534	148,398	6,267	160,803
0	0	1	0	(324,813)	214,387
691,107	650,578	642,202	34,412,038	31,088,998	3,848,468
0	0	13,705	19,937	29,853	45,902
1,310,298	1,462,433	1,453,873	35,295,997	33,365,754	18,997,876
\$1,789,883	\$1,677,809	\$1,058,889	\$35,112,613	\$32,911,145	\$19,058,489

**Chillicothe City School District**  
*Changes in Fund Balances, Governmental Funds*  
*Last Ten Fiscal Years*  
*(modified accrual basis of accounting)*

	1997	1998	1999	2000	2001
<b>Revenues</b>					
Property and Other Local Taxes	\$10,999,441	\$11,776,604	\$11,891,536	\$11,896,382	\$11,706,436
Intergovernmental	9,370,962	9,925,940	10,146,239	9,656,419	10,600,932
Interest	554,868	544,981	608,454	480,507	467,219
Tuition and Fees	951,654	968,955	840,298	953,925	1,204,762
Extracurricular Activities	141,765	90,290	125,397	131,007	109,671
Contributions and Donations	535,174	111,880	49,787	54,848	64,204
Charges for Services	77,107	105,810	688,971	770,089	780,809
Rentals	11,065	7,495	8,442	7,258	0
Payments in Lieu of Taxes	0	0	0	0	0
Miscellaneous	147,026	264,288	203,085	123,542	210,877
<i>Total Revenues</i>	<u>22,789,062</u>	<u>23,796,243</u>	<u>24,562,209</u>	<u>24,073,977</u>	<u>25,144,910</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	9,004,215	9,688,691	9,967,323	10,825,581	11,043,691
Special	2,217,889	2,313,203	2,574,668	2,596,420	2,580,557
Vocational	335,588	713,024	5,111	3,414	5,388
Adult/Continuing	0	0	701,900	0	0
Other	0	0	70,928	97,517	86,561
Support Services:					
Pupil	1,167,339	1,289,946	1,377,407	1,445,523	1,493,306
Instructional Staff	1,769,127	1,568,721	1,579,624	1,760,911	2,031,431
Board of Education	43,639	76,794	43,399	55,409	37,325
Administration	2,024,845	1,925,697	1,823,273	1,639,433	1,810,844
Fiscal	722,037	668,149	685,686	702,249	677,666
Business	189,807	179,066	178,512	95,117	109,533
Operation and Maintenance of Plant	2,259,647	2,144,141	2,168,837	2,230,774	2,293,238
Pupil Transportation	683,446	734,305	725,696	880,186	739,880
Central	63,007	50,937	19,556	85,094	86,571
Operation of Non-Instructional Services	1,239,872	1,341,018	1,099,469	1,345,072	1,394,526
Extracurricular Activities	521,332	557,083	601,365	592,865	594,118
Capital Outlay	980,491	1,048,394	2,645,946	607,625	68,335
Debt Service:					
Principal Retirement	246,803	95,793	230,286	236,038	251,084
Interest and Fiscal Charges	39,370	63,281	151,156	151,385	128,434
Issuance Costs	0	0	106,312	6,708	0
<i>Total Expenditures</i>	<u>23,508,454</u>	<u>24,458,243</u>	<u>26,756,454</u>	<u>25,357,321</u>	<u>25,432,488</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(719,392)</u>	<u>(662,000)</u>	<u>(2,194,245)</u>	<u>(1,283,344)</u>	<u>(287,578)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	2,606	4,477	0	337	0
General Obligation Bonds Issued	0	0	2,390,000	0	0
Premium on Bonds Issued	0	0	0	0	0
Inception of Capital Lease	0	555,353	57,622	0	0
Transfers In	610,926	210,410	23,719	0	19,664
Transfers Out	(610,926)	(210,410)	(23,719)	0	(19,664)
<i>Total Other Financing Sources (Uses)</i>	<u>2,606</u>	<u>559,830</u>	<u>2,447,622</u>	<u>337</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(\$716,786)</u>	<u>(\$102,170)</u>	<u>\$253,377</u>	<u>(\$1,283,007)</u>	<u>(\$287,578)</u>

Source: School District Financial Records.

The Fiscal Year 2003 is the first year reported in accordance with GASB Statement No. 34. Therefore, the amounts reported in previous fiscal years do not include permanent funds.

(continued)

2002	2003	2004	2005	2006
\$11,998,995	\$11,822,240	\$12,163,791	\$12,195,648	\$15,385,072
12,292,255	12,016,887	12,634,706	13,285,366	13,210,606
171,929	116,855	171,276	925,457	1,323,394
1,284,873	1,355,234	1,146,858	1,186,038	1,105,160
123,109	106,853	117,161	140,032	148,858
75,578	45,809	76,488	85,350	91,413
714,190	720,499	608,401	604,397	567,987
0	7,839	53,141	89,227	136,341
0	0	0	61,605	82,703
139,715	169,237	166,368	95,492	219,680
26,800,644	26,361,453	27,138,190	28,668,612	32,271,214
11,734,822	11,787,158	12,108,259	12,379,826	13,217,600
3,049,064	3,266,115	3,029,400	3,209,971	2,794,946
7,564	6,038	4,073	3,794	3,691
0	0	0	0	0
83,336	106,646	156,157	168,528	464,322
1,619,322	1,581,864	1,669,538	1,638,912	1,662,491
1,869,004	1,907,409	1,683,990	1,742,270	1,713,774
83,146	25,561	58,091	50,539	83,481
2,125,409	2,383,631	2,018,895	1,892,468	1,838,339
618,564	662,294	744,725	740,973	784,972
129,340	125,002	107,230	55,133	98,495
2,380,901	2,477,462	2,394,198	2,323,731	2,468,571
788,834	1,069,752	808,505	847,452	746,551
94,515	124,093	111,583	108,264	111,639
1,333,413	1,528,211	1,466,085	1,330,986	1,307,943
568,273	571,440	584,211	480,731	550,001
10,646	9,002	576,464	3,255,745	16,314,126
291,468	135,000	140,000	34,262,779	258,126
109,334	95,000	88,250	1,871,408	1,796,791
0	0	0	561,254	0
26,896,955	27,861,678	27,749,654	66,924,764	46,215,859
(96,311)	(1,500,225)	(611,464)	(38,256,152)	(13,944,645)
0	164	525,500	39,549	91,990
0	0	34,000,000	34,000,000	0
0	0	0	1,040,254	0
0	0	0	974,881	0
34,946	0	550,493	693,730	1,031,871
(34,946)	0	(550,493)	(693,730)	(1,031,871)
0	164	34,525,500	36,054,684	91,990
(\$96,311)	(\$1,500,061)	\$33,914,036	(\$2,201,468)	(\$13,852,655)

**Chillicothe City School District**  
*Assessed and Estimated Actual Value of Taxable Property*  
*Last Ten Years*

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated Actual Value	Public Utility	
	Residential/ Agricultural	Commercial/ Industrial/PU		Assessed Value	Estimated Actual Value
1997	\$161,103,780	\$88,039,210	\$711,837,114	\$27,824,440	\$31,618,682
1998	162,923,220	90,280,700	723,439,771	28,225,730	32,074,693
1999	189,574,300	94,251,000	810,929,429	29,991,920	34,081,727
2000	191,276,140	94,316,940	815,980,229	28,519,710	32,408,761
2001	192,073,680	95,070,020	820,410,571	30,062,090	34,161,466
2002	218,310,870	104,215,340	921,503,457	26,393,230	29,992,307
2003	220,094,350	104,646,760	927,831,743	28,059,280	31,885,545
2004	221,756,900	106,334,440	937,403,829	24,417,050	27,746,648
2005	241,749,430	112,892,600	1,013,262,943	24,280,980	27,592,023
2006	242,723,230	114,472,050	1,020,557,943	22,037,170	25,042,239

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property tax is being phased out beginning in 2006. The listing percentage is 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

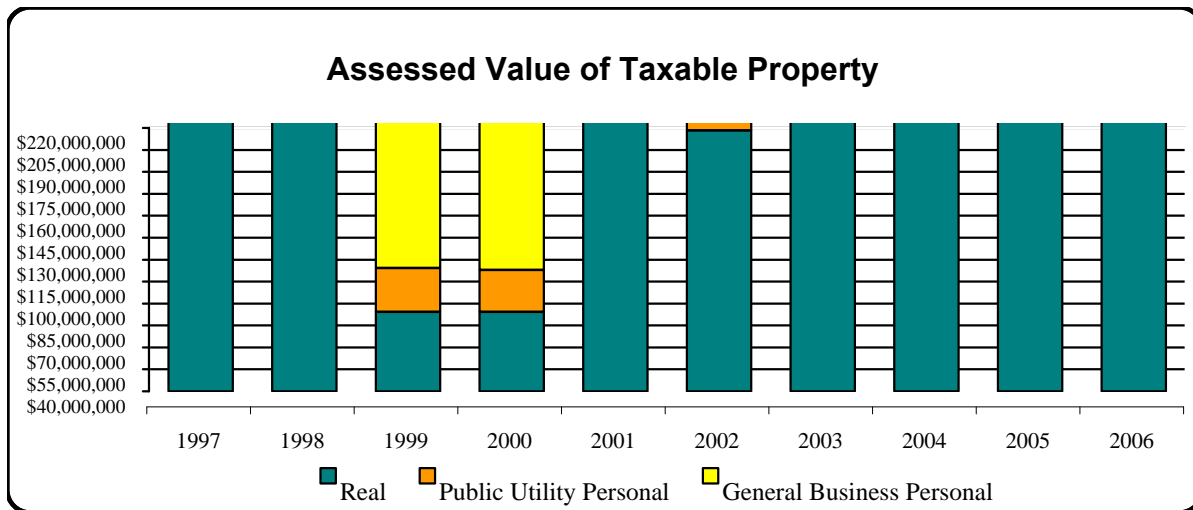
The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10%, 2 1/2% and homestead exemptions before being billed. Beginning in the 2006 collection year, the 10% rollback for commercial/industrial property has been eliminated.

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

(continued)



Tangible Personal Property		Total		Ratio	Weighted Average Tax Rate
General Business					
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
\$123,131,670	\$492,526,680	\$400,099,100	\$1,235,982,476	32.37%	\$29.65
135,195,900	540,783,600	416,625,550	1,296,298,064	32.14%	29.69
129,782,920	519,131,680	443,600,140	1,364,142,836	32.52%	27.90
133,870,322	535,481,288	447,983,112	1,383,870,278	32.37%	27.88
138,865,100	555,460,400	456,070,890	1,410,032,437	32.34%	27.97
135,568,200	564,867,500	484,487,640	1,516,363,264	31.95%	26.66
125,725,980	546,634,696	478,526,370	1,506,351,984	31.77%	26.45
136,938,100	595,383,043	489,446,490	1,560,533,520	31.36%	26.60
99,095,610	430,850,478	478,018,620	1,471,705,444	32.48%	32.11
88,627,710	472,681,120	467,860,160	1,518,281,302	30.82%	37.72



**Chillicothe City School District**  
*Property Tax Rates (Scioto Township)*  
(per \$1,000 of assessed value)  
*Last Ten Years*

	1997	1998	1999	2000	2001	2002
<b>Unvoted Millage</b>						
Operating	3.50	3.50	3.50	3.50	3.50	3.50
Permanent Improvement	-	-	-	-	-	-
Debt	-	-	-	-	-	-
<b>Voted Millage - by levy</b>						
1976 Operating - continuing						
Residential/Agricultural Real	13.89	13.86	12.00	12.00	12.01	11.70
Commercial/Industrial and Public Utility Real	15.23	15.40	15.11	15.10	15.17	13.91
General Business and Public Utility Personal	27.00	27.00	27.00	27.00	27.00	27.00
Federal Donated Commodities						
1994 Current Expense - continuing						
Residential/Agricultural Real	6.06	6.05	5.24	5.24	5.24	4.80
Commercial/Industrial and Public Utility Real	6.65	6.72	6.60	6.59	6.62	6.07
General Business and Public Utility Personal	7.20	7.20	7.20	7.20	7.20	7.20
2005 Current Expense-continuing						
Residential/Agricultural Real	-	-	-	-	-	-
Commercial/Industrial and Public Utility Real	-	-	-	-	-	-
General Business and Public Utility Personal	-	-	-	-	-	-
1985 Bond Levy (debt service)	0.40	0.20	0.10	0.04	-	-
2004 Bond Levy (debt service)	-	-	-	-	-	-
2004 Permanent Improvement (23 Years)						
Residential/Agricultural Real	-	-	-	-	-	-
Commercial/Industrial and Public Utility Real	-	-	-	-	-	-
General Business and Public Utility Personal	-	-	-	-	-	-
<b>Total voted millage by type of property</b>						
Residential/Agricultural Real	20.36	20.11	17.34	17.28	17.24	16.50
Commercial/Industrial and Public Utility Real	22.28	22.32	21.81	21.73	39.03	19.97
General Business and Public Utility Personal	34.60	34.40	34.30	34.24	34.20	34.20
<b>Overlapping Rates by Taxing District</b>						
Scioto Township						
Residential/Agricultural Real	4.88	4.88	4.50	4.50	4.50	4.22
Commercial/Industrial and Public Utility Real	5.03	5.20	5.09	5.10	5.09	4.76
General Business and Public Utility Personal	5.50	5.50	5.50	5.50	5.50	5.50
City of Chillicothe						
Residential/Agricultural Real	-	-	-	-	-	-
Commercial/Industrial and Public Utility Real	-	-	-	-	-	-
General Business and Public Utility Personal	-	-	-	-	-	-
Pickaway-Ross JVSD						
Residential/Agricultural Real	2.00	2.00	2.00	2.00	2.00	2.00
Commercial/Industrial and Public Utility Real	2.00	2.01	2.00	2.00	2.00	2.00
General Business and Public Utility Personal	3.20	3.20	3.20	3.20	3.20	3.20
Ross County						
Residential/Agricultural Real	8.01	7.96	7.11	7.05	6.99	6.44
Commercial/Industrial and Public Utility Real	0.08	0.08	0.08	0.08	0.08	0.08
General Business and Public Utility Personal	9.40	9.40	9.40	9.40	9.40	9.40

The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year.

Rates may only be raised by obtaining the approval of a majority of the voters at a public election.

Source: Ohio Department of Taxation

2003	2004	2005	2006
3.50	3.50	3.50	3.50
-	-	-	-
-	-	-	-
11.70	11.70	11.89	11.90
13.91	13.93	13.51	13.44
27.00	27.00	27.00	27.00
4.80	4.80	4.61	4.61
6.07	6.08	5.90	5.87
7.20	7.20	7.20	7.20
-	-	-	6.00
-	-	-	5.97
-	-	-	6.00
-	-	-	-
-	-	4.47	4.47
-	-	2.30	2.30
-	-	2.43	2.41
-	-	2.50	2.50
16.51	16.50	23.27	29.28
19.98	20.00	26.30	32.16
34.20	34.20	41.17	47.17
4.22	4.81	4.60	4.61
4.73	5.09	4.80	4.79
5.50	5.50	5.50	5.50
-	-	-	-
-	-	-	-
-	-	-	-
2.00	2.00	2.00	2.00
2.00	2.00	2.00	2.00
3.20	3.20	3.20	3.20
7.59	8.44	9.11	9.09
0.08	0.09	0.10	0.10
9.40	9.80	10.40	10.40

**Chillicothe City School District**  
*Property Tax Rates (City of Chillicothe)*  
(per \$1,000 of assessed value)  
*Last Ten Years*

	1997	1998	1999	2000	2001
<b>Unvoted Millage</b>					
Operating	3.50	3.50	3.50	3.50	3.50
Permanent Improvement	-	-	-	-	-
Debt	-	-	-	-	-
<b>Voted Millage - by levy</b>					
1976 Operating - continuing					
Residential/Agricultural Real	13.89	13.86	12.00	12.00	12.01
Commercial/Industrial and Public Utility Real	15.23	15.40	15.11	15.10	15.17
General Business and Public Utility Personal	27.00	27.00	27.00	27.00	27.00
1994 Current Expense - continuing					
Residential/Agricultural Real	6.06	6.05	5.24	5.24	5.24
Commercial/Industrial and Public Utility Real	6.65	6.72	6.60	6.59	6.62
General Business and Public Utility Personal	7.20	7.20	7.20	7.20	7.20
2005 Current Expense-continuing					
Residential/Agricultural Real	-	-	-	-	-
Commercial/Industrial and Public Utility Real	-	-	-	-	-
General Business and Public Utility Personal	-	-	-	-	-
1985 Bond Levy (debt service)	0.40	0.20	0.10	0.04	-
2004 Bond Levy (debt service)	-	-	-	-	-
2004 Permanent Improvement (23 Years)					
Residential/Agricultural Real	-	-	-	-	-
Commercial/Industrial and Public Utility Real	-	-	-	-	-
General Business and Public Utility Personal	-	-	-	-	-
<b>Total voted millage by type of property</b>					
Residential/Agricultural Real	20.36	20.11	17.34	17.28	17.24
Commercial/Industrial and Public Utility Real	22.28	22.32	21.81	21.73	39.03
General Business and Public Utility Personal	34.60	34.40	34.30	34.24	34.20
<b>Overlapping Rates by Taxing District</b>					
Scioto Township					
Residential/Agricultural Real	0.52	0.55	0.48	0.48	0.48
Commercial/Industrial and Public Utility Real	0.56	0.56	0.55	0.55	0.55
General Business and Public Utility Personal	0.60	0.60	0.60	0.60	0.60
City of Chillicothe					
Residential/Agricultural Real	3.20	3.20	3.20	3.20	3.20
Commercial/Industrial and Public Utility Real	3.20	3.20	3.20	3.20	3.20
General Business and Public Utility Personal	3.20	3.20	3.20	3.20	3.20
Pickaway-Ross JVSD					
Residential/Agricultural Real	2.00	2.00	2.00	2.00	2.00
Commercial/Industrial and Public Utility Real	2.00	2.01	2.00	2.00	2.00
General Business and Public Utility Personal	3.20	3.20	3.20	3.20	3.20
Ross County					
Residential/Agricultural Real	8.01	7.96	7.11	7.05	6.99
Commercial/Industrial and Public Utility Real	8.34	8.35	8.25	8.21	8.17
General Business and Public Utility Personal	9.40	9.40	9.40	9.40	9.40

The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year.

Rates may only be raised by obtaining the approval of a majority of the voters at a public election.

**Source:** Ohio Department of Taxation

(continued)

2002	2003	2004	2005	2006
3.50	3.50	3.50	3.50	3.50
-	-	-	-	-
-	-	-	-	-
11.70	11.70	11.70	11.89	11.90
13.91	13.91	13.93	13.51	13.44
27.00	27.00	27.00	27.00	27.00
4.80	4.80	4.80	4.61	4.61
6.07	6.07	6.08	5.90	5.87
7.20	7.20	7.20	7.20	7.20
-	-	-	-	6.00
-	-	-	-	5.97
-	-	-	-	6.00
-	-	-	-	-
-	-	-	4.47	4.47
-	-	-	2.30	2.30
-	-	-	2.43	2.41
-	-	-	2.50	2.50
16.50	16.51	16.50	23.27	29.28
19.97	19.98	20.00	26.30	32.16
34.20	34.20	34.20	41.17	47.17
0.44	0.44	0.44	0.42	0.42
0.52	0.52	0.52	0.51	0.51
0.60	0.60	0.60	0.60	0.60
3.20	3.20	3.20	3.20	3.20
3.20	3.20	3.20	3.20	3.20
3.20	3.20	3.20	3.20	3.20
2.00	2.00	2.00	2.00	2.00
2.00	2.00	2.00	2.00	2.00
3.20	3.20	3.20	3.20	3.20
6.44	7.59	8.44	9.11	9.09
7.65	8.37	9.01	9.63	9.57
9.40	9.40	9.80	10.40	10.40

**Chillicothe City School District**  
*Property Tax Levies and Collections*  
*Last Ten Years*

<u>Collection Year</u>	<u>Current Tax Levy (1)</u>	<u>Current Tax Collections (1)</u>	<u>Percent of Current Tax Collections to Current Tax Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections (1)</u>	<u>Percent of Total Tax Collections to Current Tax Levy</u>
1997	\$12,325,308	\$12,083,548	98.04%	\$201,321	\$12,284,869	99.67%
1998	12,166,414	11,949,768	98.22	280,378	12,230,146	100.52
1999	13,067,744	12,889,906	98.64	175,828	13,065,734	99.98
2000	12,684,857	12,494,811	98.50	208,017	12,702,828	100.14
2001	12,632,642	12,456,295	98.60	272,722	12,729,017	100.76
2002	12,547,558	12,226,466	97.44	186,907	12,413,373	98.93
2003	13,077,318	12,841,127	98.19	242,376	13,083,503	100.05
2004	11,590,767	11,140,708	96.12	274,920	11,415,628	98.49
2005	14,887,701	14,558,609	97.79	385,815	14,944,424	100.38
2006	16,267,151	15,867,842	97.55	508,327	16,376,169	100.67

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

(1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental revenue.

**Chillicothe City School District**

*Principal Taxpayers*

*Real Estate Tax*

*2006 and 1997 (1)*

Name of Taxpayer	2006	
	Assessed Value	Percent of Real Property Assessed Value
Glatfelter Company	\$ 38,176,740	10.69%
DDR Ohio Opportunity II LLC	3,640,230	1.02%
Chillicothe Mall Inc.	3,454,820	0.97%
Central Center LTD	2,899,370	0.81%
Real Estate Finance Trust	2,328,100	0.65%
Zane Plaza LLC	2,140,520	0.60%
RG Chillicothe Associates	1,648,510	0.46%
Western View Apartments	1,412,740	0.40%
Rosco Partners LLC	1,370,360	0.38%
QNP Holding Inc.	836,500	0.23%
Totals	\$ 57,907,890	16.21%
Total Assessed Valuation	\$357,195,280	

Name of Taxpayer	1997	
	Assessed Value	Percent of Real Property Assessed Value
Mead Corporation	\$ 25,993,460	10.44%
DDR Ohio Opportunity II LLC	2,462,050	0.99%
Central Center LTD	2,276,030	0.91%
Real Estate Finance Trust	2,117,360	0.85%
West Penn Realty	2,077,240	0.83%
Shawnee Group LTD Partnership	2,073,470	0.83%
RG Chilli Associates LTD	1,457,910	0.59%
ABCO Land Development and Beerman Corp.	1,286,250	0.52%
Aluminum Co. of America	1,190,000	0.48%
Horizon Telcom, Inc.	1,007,330	0.40%
Totals	\$ 41,941,100	16.84%
Total Assessed Valuation	\$248,984,310	

(1) The amounts presented represent the assessed values upon which 2006 and 1997 collections were based.

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

**Chillicothe City School District**

*Principal Taxpayers*

*Tangible Personal Property Tax*

*2006 and 1997 (1)*

Name of Taxpayer	2006	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
Glatfelter Company	\$52,314,810	59.03%
QNP Holding Inc.	1,779,360	2.01%
Lowe's Home Center	1,482,880	1.67%
Wal-Mart Sotres East Inc.	1,470,440	1.66%
Adelphia	1,347,460	1.52%
Ricart	1,239,780	1.40%
Herrnstein Chrysler	1,132,550	1.28%
K-Mart Corporation	1,012,180	1.14%
Kroger's	957,630	1.08%
Union Springs Manufacturing Corporation	920,040	1.04%
<b>Total</b>	<b>\$63,657,130</b>	<b>71.83%</b>
<b>Total Assessed Valuation</b>	<b>\$88,627,710</b>	

Name of Taxpayer	1997	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
Mead Corporation	\$93,260,470	75.74%
K-Mart Corporation	1,624,840	1.32%
QNP Corporation	1,547,940	1.26%
Penn Traffic Company	1,121,560	0.91%
Mills Pride Limited	941,090	0.76%
Cox Communications Ohio Inc.	751,120	0.61%
Bob Litter's Fuel & Heating	699,260	0.57%
Hills Stoes Company	669,140	0.54%
Elder Beerman Stores Corporation	625,540	0.51%
JC Penney Company Inc.	571,140	0.46%
<b>Total</b>	<b>\$101,812,100</b>	<b>82.69%</b>
<b>Total Assessed Valuation</b>	<b>\$123,131,670</b>	

(1) The amounts presented represent the assessed values upon which 2006 and 1997 collections were based.

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



**Chillicothe City School District**

*Principal Taxpayers*

*Public Utilities Tax*

*2006 and 1997 (1)*

Name of Taxpayer	2006	
	Assessed Value	Percent of Public Utility Assessed Value
Columbus Southern Power Company	\$11,914,840	53.73%
Horizon Telcom, Inc.	7,068,330	31.87%
Columbia Gas of Ohio, Inc.	1,392,740	6.28%
Norfolk Southern Combined Railroad Subdivisions	804,460	3.63%
New Cingular Wireless PCS LLC	379,250	1.71%
Total	<u>\$21,559,620</u>	<u>97.22%</u>
Total Assessed Valuation	<u>\$22,037,170</u>	

Name of Taxpayer	1997	
	Assessed Value	Percent of Public Utility Assessed Value
Columbus Southern Power Company	\$13,714,820	49.01%
Horizon Telcom Inc.	8,306,700	29.68%
Columbia Gas of Ohio Inc.	4,451,580	15.91%
Norfolk and Western Railroad Company	764,450	2.73%
Baltimore & Ohio Railroad Company	207,210	0.74%
Total	<u>\$27,444,760</u>	<u>98.07%</u>
Total Assessed Valuation	<u>\$27,824,440</u>	

(1) The amounts presented represent the assessed values upon which 2005 and 1996 collections were based.

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

**Chillicothe City School District**

*Ratio of Outstanding Debt By Type*

*Last Ten Fiscal Years*

Fiscal Year	Governmental Activities			Total Primary Government	(2) Percentage of Personal Income	(2) Per Capita
	(1) General Obligation Bonds	(1) Energy Conservation	(1) Capital Leases			
1997	\$614,000	0	\$62,710	\$676,710	0.24%	\$30.52
1998	463,000	2,390,000	519,578	982,578	0.35%	43.24
1999	312,000	2,265,000	455,094	767,094	0.28%	33.75
2000	161,000	2,150,000	316,269	477,269	0.17%	21.65
2001	-	2,030,000	166,354	166,354	0.06%	7.55
2002	-	1,900,000	-	-	0.00%	-
2003	-	1,765,000	-	-	0.00%	-
2004	-	1,625,000	-	-	0.00%	-
2005	34,000,000	1,475,000	862,102	34,862,102	12.55%	1,599.47
2006	34,197,545	1,320,000	763,976	34,961,521	12.58%	1,604.03

(1) See notes to the basic financial statements regarding the District's debt obligations and capital leases.

(2) See Schedule "Demographic and Economic Statistics, Last Ten Fiscal Years" for personal income and enrollment information.

**Chillicothe City School District**  
*Ratio of General Bonded Debt Outstanding*

*Last Ten Fiscal Years*

Fiscal Year	General Bonded Debt	Resources Available to Pay Principal	Net General Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1997	\$614,000	\$0	\$614,000	0.15%	\$27.69
1998	463,000	0	463,000	0.11%	20
1999	312,000	0	312,000	0.07%	14
2000	161,000	0	161,000	0.04%	7
2001	0	0	0	0.00%	0
2002	0	0	0	0.00%	0
2003	0	0	0	0.00%	0
2004	0	0	0	0.00%	0
2005	34,000,000	18,029	33,981,971	7.11%	1,559
2006	34,197,545	214,388	33,983,157	7.22%	1,559

**Chillicothe City School District**  
*Ratio of Debt*  
*to Assessed Value and Debt per Capita*  
*Last Ten Fiscal Years*

Fiscal Year	Population (1)	Assessed Value of Taxable Property(2)	General Obligation Debt				Ratio of Net Bonded Debt to Estimated Actual Value	Net Bonded Debt per Capita
			General Obligation Debt Outstanding	Resources Available to Pay Principal	Net General Bonded Debt			
1997	22,176 a	\$400,099,100	\$614,000	\$0	\$614,000	0.15%	\$27.69	
1998	22,176 a	416,625,550	2,853,000	0	2,853,000	0.68%	128.65	
1999	22,176 a	443,600,140	2,577,000	0	2,577,000	0.58%	116.21	
2000	22,041 b	448,565,882	2,311,000	0	2,311,000	0.52%	104.85	
2001	22,041 b	456,070,890	2,030,000	0	2,030,000	0.45%	92	
2002	22,041 b	484,487,640	1,900,000	0	1,900,000	0.39%	86	
2003	22,041 b	478,526,370	1,765,000	0	1,765,000	0.37%	80	
2004	22,041 b	489,446,490	1,625,000	0	1,625,000	0.33%	74	
2005	22,041 b	478,018,620	35,475,000	18,029	35,456,971	7.42%	1,608.68	
2006	22,041 b	467,860,160	35,517,545	214,388	35,303,157	7.59%	1,601.70	

**Sources:** (1) U.S. Bureau of Census, Census of Population  
(a) 1990 Federal Census  
(b) 2000 Federal Census

(2) Ross County Auditor

(continued)

General Debt				
General Obligation Debt Outstanding	Capital Leases	Total Debt	Ratio of General Debt to Estimated Actual Value	General Debt Per Capita
\$614,000	\$62,710	\$676,710	0.17%	\$30.52
2,853,000	519,578	3,372,578	0.81%	152.08
2,577,000	455,094	3,032,094	0.68%	136.73
2,311,000	316,269	2,627,269	0.59%	119.20
2,030,000	166,354	2,196,354	0.48%	99.65
1,900,000	0	1,900,000	0.39%	86.20
1,765,000	0	1,765,000	0.37%	80.08
1,625,000	0	1,625,000	0.33%	73.73
35,456,971	862,102	36,319,073	7.60%	1,647.80
35,303,157	763,976	36,067,133	7.71%	1,636.37

**Chillicothe City School District**  
*Computation of Direct and Overlapping*  
*Debt Attributable to Governmental Activities*  
*June 30, 2006*

	Debt Attributable to Governmental Activities	Percentage Applicable to School District (1)	Amount of Direct and Overlapping Debt
Overlapping Debt:			
Payable from Property Taxes			
Ross County	\$13,497,981	42.72%	\$5,766,337
City of Chillicothe	1,915,000	93.51%	1,790,717
Scioto Township	<u>113,490</u>	86.38%	<u>98,033</u>
Total Overlapping Debt	\$15,526,471		\$7,655,087
Direct Debt	<u>35,303,157</u>	100.00%	<u>35,303,157</u>
Total Direct and Overlapping Debt	<u><u>\$50,829,628</u></u>		<u><u>\$42,958,244</u></u>

Source: Office of the Auditor, Ross County, Ohio



**Chillicothe City School District**  
*Computation of Legal Debt Margin*  
*Last Ten Fiscal Years*

	1997	1998	1999	2000
Tax Valuation	\$400,099,100	\$416,625,550	\$443,600,140	\$448,565,882
Debt Limit - 9% of Taxable Valuation (1)	36,008,919	37,496,300	39,924,013	40,370,929
Amount of Debt Applicable to Debt Limit General Obligation Bonds Less Amount Available in Debt Service	614,000	463,000	312,000	161,000
Amount of Debt Subject to Limit	614,000	0	0	0
Legal Debt Margin	\$35,394,919	\$37,496,300	\$39,924,013	\$40,370,929
Legal Debt Margin as a Percentage of the Debt Limit	98.29%	100.00%	100.00%	100.00%
Energy Conservation Deb Limit- .90% of assessed value (1)	3,600,892	3,749,630	3,992,401	4,037,093
Amount of Debt Subject to Limit	0	0	2,265,000	2,150,000
Unvoted Legal Debt Margin	\$3,600,892	\$3,749,630	\$6,257,401	\$6,187,093
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limit	100.00%	100.00%	156.73%	153.26%
Unvoted Debt Limit - .10% of Taxable Valuation (1)	400,099	416,626	443,600	448,566
Amount of Debt Subject to Limit	0	0	0	0
Unvoted Legal Debt Margin	\$400,099	\$416,626	\$443,600	\$448,566
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limit	100.00%	100.00%	100.00%	100.00%

**Source:** Ross County Auditor and School District Financial Records

(1) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

**Note:** The amount of debt presented as subject to the limit should be the balances used to compute the margin as specified by statute, i.e. the gross balances, not amounts that are net of premiums or discounts. On deep discount or capital appreciation bonds, this would be the original issue amount.

**Note:** The definition of tax valuation for the purpose of calculating the debt margin was modified by H.B. 530, effective 3/30/06, to exclude tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations.

(continued)



2001	2002	2003	2004	2005	2006
<u>\$456,070,890</u>	<u>\$489,487,640</u>	<u>\$478,446,490</u>	<u>\$489,446,490</u>	<u>\$478,018,620</u>	<u>\$467,860,160</u>
<u>41,046,380</u>	<u>44,053,888</u>	<u>43,060,184</u>	<u>44,050,184</u>	<u>43,021,676</u>	<u>42,107,414</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,000,000</u>	<u>33,995,000</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,000,000</u>	<u>33,995,000</u>
<u>\$41,046,380</u>	<u>\$44,053,888</u>	<u>\$43,060,184</u>	<u>\$44,050,184</u>	<u>\$9,021,676</u>	<u>\$8,112,414</u>
100.00%	100.00%	100.00%	100.00%	20.97%	19.27%
4,104,638	4,405,389	4,306,018	4,405,018	4,302,168	4,210,741
<u>2,030,000</u>	<u>1,900,000</u>	<u>1,765,000</u>	<u>1,625,000</u>	<u>1,475,000</u>	<u>1,320,000</u>
<u>\$6,134,638</u>	<u>\$6,305,389</u>	<u>\$6,071,018</u>	<u>\$6,030,018</u>	<u>\$5,777,168</u>	<u>\$5,530,741</u>
149.46%	143.13%	140.99%	136.89%	134.29%	131.35%
456,071	489,488	478,446	489,446	478,019	467,860
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$456,071</u>	<u>\$489,488</u>	<u>\$478,446</u>	<u>\$489,446</u>	<u>\$478,019</u>	<u>\$467,860</u>
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**Chillicothe City School District**  
*Demographic and Economic Statistics*  
*Last Ten Years*

---



---

Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income	Unemployment Rate (3)
1997	22,176	\$277,843,104	\$12,529	6.10%
1998	22,176	277,843,104	12,529	5.80%
1999	22,176	284,734,054	12,840	4.90%
2000	22,041	284,734,054	12,918	4.40%
2001	22,041	276,151,689	12,529	5.70%
2002	22,041	276,151,689	12,529	6.40%
2003	22,041	416,325,396	18,889	6.20%
2004	22,041	416,325,396	18,889	7.10%
2005	22,041	416,325,396	18,889	9.10%
2006	22,041	503,988,908	22,866	7.30%

**Sources:** 1) Bureau of Census/Ohio Valley Regional Commission  
2) City of Chillicothe  
3) Ohio Department of Job and Family Services

**Chillicothe City School District**  
*Principal Employers*  
*Current Year and Nine Years Ago*

Employer	Nature of Business	2006			1997		
		Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment (1)
Glatfelter Paper Company	Specialty and Carbonless Paper	1,610	1	0.05	2,325	1	
Ross County	County Government	597	2	0.02	535	2	
Chillicothe City Schools	Education	350	3	0.01	430	3	
City of Chillicothe	City Government	287	4	0.01	329	4	
Wal-Mart	Retail	211	5	0.01	N/A	N/A	
Horizon Family of Companies	Communications	205	6	0.01	290	5	
Ohio University-Chillicothe	Regional College Campus	170	7	0.00	165	6	
Adelphia	Cable TV/Internet	150	8	0.00	0	N/A	
AEP	Regional Utility Center	127	9	0.00	144	7	
Lowe's	Retail	105	10	0.00	100	8	
Total		<u>3,812</u>			<u>4,318</u>		
Total Employment within the School District		<u>34,700</u>			<u>(1)</u>		

Source: Auditor of Ross County, City of Chillicothe, Ross-Chillicothe Chamber of Commerce  
(1) Information Not Available

**Chillicothe City School District**  
*School District Employees by Function/Program*  
*Last Three Fiscal Years*

Function/Program	2004	2005	2006
<b>Regular Instruction</b>			
Elementary Classroom Teachers	83.57	83.54	86.90
Middle School Classroom Teachers	30.16	30.06	30.23
High School Classroom Teachers	43.38	42.54	42.00
<b>Special Instruction</b>			
Elementary Classroom Teachers	23.50	24.62	21.77
Middle School Classroom Teachers	5.00	5.00	5.00
Gifted Education Teachers	2.00	2.00	2.00
High School Classroom Teachers	6.00	6.00	6.00
<b>Pupil Support Services</b>			
Guidance Counselors	6.00	6.00	6.00
Librarians	3.00	2.00	2.00
Psychologists	2.00	4.00	3.56
Speech and Language Pathologists	2.00	2.00	2.00
Nurse	2.00	1.90	1.81
Teacher Aides	25.72	23.43	20.93
Technology	2.50	3.00	3.00
Secretaries	14.85	16.75	16.75
<b>Administrators</b>			
District	3.00	3.00	4.00
Elementary	4.00	4.00	5.00
Middle School	2.00	1.75	1.75
High School	2.14	2.14	3.14
Secretaries	14.00	13.79	13.79
<b>Fiscal Services</b>			
	6.00	6.00	6.00
<b>Operation of Plant</b>			
Custodians	20.00	18.00	18.00
Maintenance	8.00	8.00	8.00
<b>Pupil Transportation</b>			
Bus Drivers	20.00	19.00	19.00
<b>Extracurricular Activities</b>			
Secretaries	0.86	0.86	0.86
<b>Food Service Program</b>			
Elementary Cooks	25.41	24.35	24.37
Middle School Cooks			
High School Cooks			
<b>Totals:</b>	<u>357.09</u>	<u>353.73</u>	<u>353.86</u>

**Method:** Using 1.0 for each full-time employee and 0.50 for each part-time and seasonal employee. The count is performed on September 1 of each year.

Information prior to 2004 is not available.

**Chillicothe City School District**

*Operating Statistics*

*Last Four Fiscal Years*

---

---

<u>Fiscal Year</u>	<u>Expenses</u>	<u>Enrollment</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil/ Teacher Ratio</u>
2003	\$28,376,721	3,564	\$7,962		187	19.1
2004	28,508,167	3,387	8,417	5.71%	174	19.4
2005	29,076,961	3,196	9,098	8.09%	178	18.0
2006	30,409,382	3,069	9,909	8.91%	177	17.4

Source: School District Records. Expense information is not available prior to 2003.

**Chillicothe City School District**

*Building Statistics  
Last Ten Fiscal Years*

	1997	1998	1999	2000
<b>Allen Elementary School</b>				
Constructed in 1961				
Total Building Square Footage	30,251			
Enrollment Grades K-6	263	253	258	265
Student Capacity	375	375	375	375
Regular Instruction Classrooms 15	12	12	12	12
Regular Instruction Teachers	11	11	12	12
Special Instruction Classrooms	3	3	3	3
Special Instruction Teachers	3	3	4	5
<b>Central Elementary</b>				
Constructed in 1960				
Total Building Square Footage	29,850			
Enrollment Grades K-6	257	278	289	316
Student Capacity	400	400	400	400
Regular Instruction Classrooms	12	12	12	14
Regular Instruction Teachers	12	12	11	14
Special Instruction Classrooms	4	4	4	2
Special Instruction Teachers	4	4	4	3
<b>Hopewell Elementary</b>				
Constructed in 1954				
Total Building Square Footage	39,416			
Enrollment Grades K-6	256	254	267	250
Student Capacity	425	425	425	425
Regular Instruction Classrooms	11	11	12	12
Regular Instruction Teachers	11	11	12	12
Special Instruction Classrooms	6	6	5	5
Special Instruction Teachers	6	6	5	8
<b>McArthur Elementary</b>				
Constructed in 1961				
Total Building Square Footage	30,178			
Enrollment Grades K-6	311	297	303	279
Student Capacity	375	375	375	375
Regular Instruction Classrooms	13	13	14	14
Regular Instruction Teachers	13	13	14	14
Special Instruction Classrooms	2	2	1	1
Special Instruction Teachers	6	6	5	6

(continued)

2001	2002	2003	2004	2005	2006
251	247	270	308	306	338
375	375	375	375	375	375
12	12	12	14	14	15
12	12	12	14	14	15
3	3	3	1	1	0
3	3	5	3	4	3
318	264	242	Closed	Closed	Closed
400	400	400			
14	14	13			
14	14	13			
3	2	3			
3	5	5			
265	254	244	Closed	Closed	Closed
425	425	425			
12	12	11			
12	12	11			
5	5	6			
8	8	8			
269	283	275	Closed	Closed	Closed
375	375	375			
14	12	13			
14	12	13			
1	3	2			
6	6	6			

**Chillicothe City School District**

*Building Statistics  
Last Ten Fiscal Years*

	1997	1998	1999	2000
<b>Mt. Logan Elementary School</b>				
Constructed in 1977				
Total Building Square Footage	60,389			
Enrollment Grades K-6	417	392	352	359
Student Capacity	600	600	600	600
Regular Instruction Classrooms	20	20	17	20
Regular Instruction Teachers	20	20	16	20
Special Instruction Classrooms	4	4	7	4
Special Instruction Teachers	8	8	7	8
<b>Tiffin Elementary School</b>				
Constructed in 1952				
Total Building Square Footage	36,135			
Enrollment Grades K-5	305	309	318	307
Student Capacity	425	425	425	425
Regular Instruction Classrooms	14	14	13	15
Regular Instruction Teachers	14	14	13	15
Special Instruction Classrooms	3	3	4	2
Special Instruction Teachers	6	6	6	6
<b>Worthington Elementary School</b>				
Constructed in 1951				
Total Building Square Footage	39,774			
Enrollment Grades K-5	298	317	297	292
Student Capacity	350	350	350	350
Regular Instruction Classrooms	12	12	12	14
Regular Instruction Teachers	12	12	12	14
Special Instruction Classrooms	2	2	2	0
Special Instruction Teachers	2	2	2	2
<b>J.A. Smith Middle School</b>				
Constructed in 1931				
Total Building Square Footage	103,456			
Enrollment Grades 6-8	507	485	476	449
Student Capacity	775	775	775	775
Regular Instruction Classrooms	33	33	31	29
Regular Instruction Teachers	33	33	31	29
Special Instruction Classrooms	2	2	4	6
Special Instruction Teachers	6	6	6	6
<b>Chillicothe High School</b>				
Constructed in 1963				
Total Building Square Footage	165,317			
Enrollment Grades 9-12	1,140	1,145	1,177	1,182
Student Capacity	970	970	970	970
Regular Instruction Classrooms	48	48	48	48
Regular Instruction Teachers	47	48	51	51
Special Instruction Classrooms	6	6	6	6
Special Instruction Teachers	6	6	6	6

(continued)



2001	2002	2003	2004	2005	2006
357	350	333	544	500	494
600	600	600	600	600	600
20	20	17	21	26	25
20	20	17	21	26	25
4	4	5	3	9	9
8	4	5	5	9	10
285	282	242	380	384	332
425	425	425	425	425	425
15	14	14	11	17	18
15	14	14	11	17	17
2	3	3	6	0	0
6	6	8	9	7	5
300	318	316	377	357	363
350	350	350	350	350	350
14	14	14	14	14	14
14	16	15	14	16	15
0	0	0	0	0	0
2	2	2	3	3	4
480	461	430	631	576	550
775	775	775	775	775	775
29	30	25	22	24	25
29	26	25	22	24	25
6	5	5	4	6	10
6	5	5	4	6	10
1,215	1,192	1,133	1,099	970	940
970	970	970	970	970	970
48	48	48	48	48	48
46 #	45	41	42	41	41
6	6	6	6	6	6
6	6	6	6	6	6





**Mary Taylor, CPA**  
Auditor of State

**CHILLICOTHE CITY SCHOOL DISTRICT**

**ROSS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 15, 2007**