



**Auditor of State
Betty Montgomery**

CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY

TABLE OF CONTENTS

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

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**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

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

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal C.F.D.A. Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster</i>						
Food Donation (See Note "B")	N/A	10.550	\$0	\$131,632	\$0	\$131,632
School Breakfast Program	05-PU 2003	10.553	9,609	0	9,609	0
	05-PU 2004	10.553	61,347	0	61,347	0
<i>Total School Breakfast Program</i>			70,956	0	70,956	0
National School Lunch Program	LL-P1 2003	10.555	1,534	0	1,534	0
	LL-P1 2004	10.555	7,336	0	7,336	0
	LL-P4 2003	10.555	50,306	0	50,306	0
	LL-P4 2004	10.555	292,706	0	292,706	0
<i>Total National School Lunch Program</i>			351,882	0	351,882	0
<i>Total Child Nutrition Cluster</i>			422,838	131,632	422,838	131,632
Summer Food Service Program for Children	23-PU 2003	10.559	6,814	0	6,814	0
	24-PU 2003	10.559	908	0	908	0
<i>Total Summer Food Service Program for Children</i>			7,722	0	7,722	0
TOTAL U.S. DEPARTMENT OF AGRICULTURE			430,560	131,632	430,560	131,632
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Education Agencies	C1-S1 2003	84.010	127,944	0	127,944	0
	C1-S1 2004	84.010	972,391	0	827,740	0
<i>Total Title I Grants to Local Education Agencies</i>			1,100,335	0	955,684	0
Special Education Grants to States	6B-SF 03- P	84.027	(3,372)	0	0	0
Special Education Grants to States	6B-SF 04- P	84.027	476,559	0	519,338	0
Special Education Grants to States	6B-SD 03- P	84.027	35,000	0	48,027	0
Special Education Grants to States	6B-SD 04- P	84.027	12,600	0	34,433	0
<i>Total Special Education Grants to States</i>			520,787	0	601,798	0
Safe and Drug Free Schools and Communities State Grant	DR-S1 2003	84.186	4,000	0	4,000	0
Safe and Drug Free Schools and Communities State Grant	DR-S1 2004	84.186	29,780	0	23,856	0
<i>Total Safe and Drug Free Schools and Communities State Grant</i>			33,780	0	27,856	0
Education for Homeless Children and Youth	HC-S1 2003	84.196	615	0	615	0
Education for Homeless Children and Youth	HC-S1 2004	84.196	34,409	0	32,263	0
<i>Total Education for Homeless Children and Youth</i>			35,024	0	32,878	0
Even Start State Educational Agencies	EV-S2 2003	84.213	93,223	0	112,384	0
Even Start State Educational Agencies	EV-S1 2004	84.213	122,385	0	123,924	0
<i>Total Even Start State Educational Agencies</i>			215,608	0	236,308	0
State Grants for Innovative Educational Program Strategies	C2-S1 2003	84.298	5,301	0	5,301	0
State Grants for Innovative Educational Program Strategies	C2-S1 2004	84.298	24,346	0	24,218	0
<i>Total State Grants for Innovative Programs</i>			29,647	0	29,519	0
Education Technology State Grant	TJ-S1 2003	84.318	(2,050)	0	0	0
Education Technology State Grant	TJ-S1 2004	84.318	18,498	0	20,140	0
<i>Total Education Technology State Grant</i>			16,448	0	20,140	0
Comprehensive School Reform Demonstration	RF-S2 2002	84.332	12,500	0	12,665	0
Comprehensive School Reform Demonstration	RF-S3 2003	84.332	67,939	0	85,542	0
<i>Total Comprehensive School Reform Demonstration</i>			80,439	0	98,207	0
School Renovation Grants	AT S2 2002	84.352	(249)	0	0	0
School Renovation Grants	AT S3 2002	84.352	(175)	0	1,012	0
<i>Total School Renovation Grants</i>			(424)	0	1,012	0
Rural Education Grant	RU S1 2003	84.358	0	0	3,855	0
Improving Teacher Quality State Grants	TR-S1 2003	84.367	20,224	0	20,224	0
Improving Teacher Quality State Grants	TR-S1-2004	84.367	317,731	0	292,334	0
<i>Total Improving Teacher Quality State Grants</i>			337,955	0	312,558	0
<i>Total Passed through Ohio Department of Education</i>			2,369,599	0	2,319,815	0
<i>Passed through the Ohio School Facilities Commission:</i>						
Emergency School Repair	N/A	84.352A	449,044	0	499,044	0
TOTAL U.S. DEPARTMENT OF EDUCATION			2,818,643	0	2,818,859	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through the Ohio Department of MRDD</i>						
Medical Assistance Program	316400384	93.778	22,183	0	22,183	0
U.S. DEPARTMENT OF HOMELAND SECURITY						
<i>Passed Through the Ohio Emergency Management Agency</i>						
Public Assistance Grant Program	316400384	97.036	0	0	4,940	0
TOTAL			\$3,271,386	\$131,632	\$3,276,542	\$131,632

The accompanying notes to this schedule are an integral part of this schedule

**CHILLICOTHE CITY SCHOOLS
ROSS COUNTY**

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

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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.

NOTE C- REFUND OF MONEY

The District returned \$424 in unspent grant monies to the Ohio Department of Education for CFDA #84.352 due to the expiration of the period of availability.

NOTE D- TRANSFERS DUE TO ODE ADMINISTRATIVE ACTION

The District transferred between special cost centers during fiscal year 2004 which resulted in a negative receipt on the federal schedule. CFDA # 84.318 transferred between special cost centers in the amount of \$2,050. CFDA # 84.027 transferred between cost centers in the amount of \$5,904; however, the \$5,904 was offset by a \$2,533 receipt received during fiscal year 2004 for the 2003 cost center, which resulted in a negative receipt of \$3,372. This was due to the revised Comprehensive Continuous Improvement Plan Strategy (CCIP) as of July, 2002 which is an attempt to promote consistency between fiscal periods, allows the local agencies to manage one ODE project at a time, and eliminates refunds to ODE.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 the Chillicothe City School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2004, wherein we noted the District reclassified certain funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated December 20, 2004.

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 for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

December 20, 2004



**Auditor of State
Betty Montgomery**

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

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 are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards Receipts and Expenditures

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chillicothe City School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

December 20, 2004

**CHILLICOTHE CITY SCHOOL DISTRICT
ROSS COUNTY**

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

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 non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Education Agencies- CFDA 84.010 Even Start State Educational Agencies- CFDA 84.213 Emergency School Repair- CFDA 84.352A
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

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, 2004

Board of Education

Sheryl McCorkle.....President
Richard Vollmar.....Vice-President
Randy Davies.....Member
Mark GrayMember
Jeff Hartmus.....Member

Superintendent of Schools

Dr. Dennis A. Leone

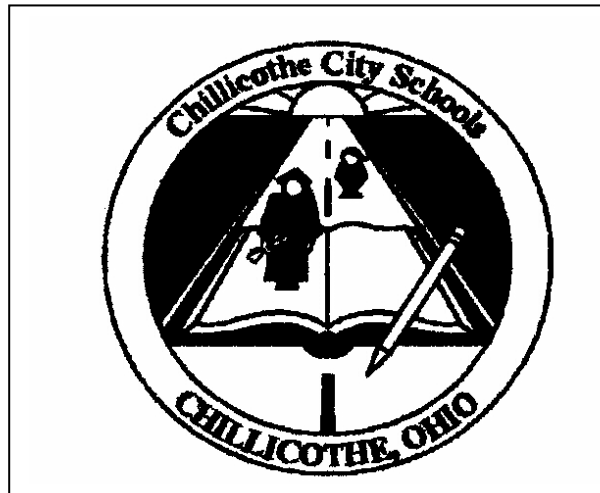
Issued by the Treasurer's Office

Stacy L. Overly
Treasurer



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CHILlicothe CITY SCHOOL DISTRICT



INTRODUCTORY SECTION

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Chillicothe City School District, Ohio
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004

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.....	10
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Government 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 Fund.....	22
Notes to the Basic Financial Statements	23
Combining Statements and Individual Fund Schedules.....	49

Combining Statements – Nonmajor Governmental Funds:

Fund Descriptions	50
Combining Balance Sheet – Nonmajor Governmental Funds.....	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	54
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.....	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	70
Balance Sheet – Nonmajor Permanent Fund.....	71
Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Permanent Fund.....	72
Fund Descriptions – Proprietary Fund.....	73
Statement of Net Assets – Proprietary Fund.....	74
Statement of Revenues, Expenses and Changes In Fund Net Assets – Proprietary Fund.....	75
Statement of Cash Flows – Proprietary Fund.....	76
Fund Descriptions – Agency Funds.....	77
Statement of Changes in Assets and Liabilities – Agency Funds.....	78
Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual.....	79
Construction Fund.....	80
Food Service Fund.....	81
Uniform School Supplies Fund.....	81
Rotary Fund.....	81
Public School Support Fund.....	82
Other Grants Fund.....	82
District Managed Activities Fund.....	82
Auxiliary Service Fund.....	83
Teacher Development Fund.....	83
Education Management Information Fund.....	83
Truancy Prevention Fund.....	84
Public School Preschool Fund.....	84

Disadvantaged Pupil Impact Aid Fund.....	84
OneNet Network Fund.....	85
Schoolnet Training Fund.....	85
Ohio Reads Fund.....	85
Summer Intervention Regional Fund.....	86
Miscellaneous State Grant Fund.....	86
Title VI-B Fund.....	86
Title I Fund.....	87
Title VI Fund.....	87
Federal Emergency Repair Fund.....	87
Drug Free School Fund.....	88
Improving Teach Quality Fund.....	88
Miscellaneous Federal Grant Fund.....	88
Permanent Improvement Fund.....	89
Schoolnet Fund.....	89
Interactive Video Distance Learning Fund.....	89
Alumni Library Fund.....	90
Employee Self Insurance	90

STATISTICAL SECTION

Table 1	Governmental Activities Expenses by Function.....	91
Table 2	Governmental Activities Revenue by Source.....	92
Table 3	Property Tax Levies and Collections.....	93
Table 4	Assessed Value and Estimated Actual Value of Taxable Property.....	94
Table 5-A	Property Tax Rates – Direct and Overlapping Governments (Scioto Township).....	95
Table 5-B	Property Tax Rates – Direct and Overlapping Governments (City of Chillicothe).....	96
Table 6	Principal Property Taxpayers.....	97
Table 7	Computation of Legal Debt Margin.....	98
Table 8	Ratio of Net General Bonded Obligation Bonded Debt to Assessed Value and net Debt Per Capita.....	99
Table 9	Ratio of Annual General Obligation Bonded Debt Service Expenditures to Total General Governmental Expenditures.....	100
Table 10	Computation of Direct and Overlapping Debt.....	101
Table 11	New Construction, Property Value and Bank Deposits.....	102
Table 12	Cost to Educate a 2003 Graduate	103
Table 13	Average Daily Membership (ADM) Data.....	104
Table 14	Staffing Statistics – Full Time Equivalents (FTE).....	105
Table 15	Educational Statistics.....	106
Table 16	Demographic Statistics and Average Unemployment Rates	107



Chillicothe City Schools

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

December 20, 2004

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, 2004, 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, this 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 are 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 22,550 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 3,387 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 36% 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 55% of their students. The District serves lunch to 81% of the student population daily. All seven school facilities offer breakfast programs. However, only 16% of the student population participates in the program. Approximately 21% 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 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, ensures that all other general laws of the State of Ohio are followed in the expenditure of the District's tax dollars, and approves the annual appropriation resolution and tax budget.

The current Board members, their terms, and years on the Board as of June 30, 2004 are:

<u>Board Member</u>	<u>Term</u>	<u>Years on Board</u>
Mr. Richard Vollmar	1/1/02 - 12/31/05	6 ½ Years
Mr. Mark Gray	1/1/02 - 12/31/05	2½ Years
Mr. Randy Davies	1/1/02 - 12/31/05	2½ Years
Mrs. Sheryl McCorkle	1/1/04 - 12/31/07	½ Year
Mr. Jeff Hartmus	1/1/04 - 12/31/07	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. Dr. Dennis A. Leone was initially appointed as Superintendent effective September 2, 1997. In March 1999, the Board voted to extend Dr. Leone's contract through July, 2005. On March 22, 2004, Dr. Leone announced his retirement effective December 16, 2004. On May 30, 2004 the Board selected Dr. Michael Trego as Dr. Leone's successor. Dr. Trego's initial contract runs from August 1, 2004 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. Mr. Stacy L. Overly was appointed Treasurer effective January 8, 1997. On October 21, 2002, the Board extended Mr. Overly's contract through the date of the organizational meeting in January, 2007.

ECONOMIC CONDITION AND OUTLOOK

The city's largest employer is the MeadWestvaco Paper Company, which employs approximately 2,000 area residents. It is worth noting that MeadWestvaco is the new corporate title of the company that resulted when the Mead and Westvaco paper companies recently merged. As a result of the merger, the new corporate entity reassessed its personal property valuations, which resulted in a \$36.1 reduction in stated tangible values effective for the 2004 tax year. This reduction will cause a significant drop in the District's local tangible tax revenue collections in fiscal year 2005. Although the valuation reduction is significant, MeadWestvaco 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 on both real estate and personal tangible 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 revenues. Ohio law limits the growth in real estate tax revenues by reducing mileage 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 taxpaying 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 operates 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.

Although the District's current financial situation has been challenging, District management has been proactive in its response. The District approved comprehensive budget balancing plans during the summer of 2003 and January 2004. The plans were aimed at addressing the District's declining enrollment and as such included the closing of three buildings and associated staff reductions (among other items). District management worked hard to insure a majority of the reductions were accomplished through attrition. In addition, the plans were carefully crafted to preserve the fabric and foundation of the District's curricular and co-curricular offerings.

EMPLOYEE RELATIONS

The District has 357 employees of which 224 are certificated and 133 are classified. There are two 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). Classified 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 2001, the Board and CEA reached agreement on a new three-year contract effective August 1, 2001. Wage agreements for that period included a 5% pay increase the first year of the contract (August 2001 through July 2002), and a 3% increase each of the following two years (August 2002 through July 2003 and August 2003 through July 2004). The Board and CEA are currently in negotiations to establish a successor agreement.

Also during the summer of 2001, the Board and OAPSE agreed to a three-year contract beginning July 2001. The agreement included a 5% increase the first year of the contract (July 2001 through June 2002) and a 3% increase each of the remaining two years (July 2002 through June 2003 and July 2003 through June 2004). The Board and OAPSE recently concluded negotiations on a successor agreement which includes a base salary freeze for the period July 2004 through June 2005.

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 positive 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. In addition, Tiffin Elementary was awarded the Ohio Schools of Promise designation in 2001-02 and 2002-03 and received the National Blue Ribbon School award in the fall of 2003. Also, Allen elementary received an Excellent rating on the 2004 Ohio Department of Education Report Card, while Tiffin, Smith and Worthington received 2004 Effective designations and Chillicothe High School and Mt. Logan Elementary received Continuous Improvement ratings. Overall, the District received an Effective designation.

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. This year the program was expanded to include a class of three-year olds.

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 two middle schools which house grades 6 through 8. 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: 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 curricula and co-curricular programs. Over 210 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 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 can attend Pickaway-Ross Joint Vocational School or stay at Chillicothe High School and work with vocational instructors.

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 five days per week, which is broadcast over the community's Cablevision station. The students, under the supervision of the language arts teacher and technology personnel, write the script and then deliver the show each evening. 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 Talented and Gifted program is available to qualified students from grade 2 through high school.

MAJOR INITIATIVES AND EVENTS-FISCAL YEAR 2004

Bond / Permanent Improvement Levy

On March 2, 2004, District residents approved a 6.97 mill combination Bond / Permanent Improvement Levy. Of the 6.97 approved mills, 4.47 mills are dedicated to repay bonds issued in the amount of \$34 million. The bond proceeds will be used to construct a new high school and renovate the current high school to become a middle school. The remaining 2.5 mills will be dedicated to permanent improvements, and will be used to help the District maintain an updated bus fleet, keep technology current, maintain buildings, buy textbooks, as well as other equipment related purchases. Ultimately, the additional revenue will help the District; (1) Implement a master plan that will carry the District forward in a progressive, positive way for the next 30+ years; (2) Preserve and enhance the quality of the District's curricular and co-curricular programs with facilities that will support them; and (3) Address the District's declining enrollment and ensure that tax dollars are being used wisely and efficiently.

Budget Balancing Measures

The District has been hard hit by recent valuation reductions, declining resident student enrollment, state budget cuts, and extremely low earnings from investments. These factors combined with huge increases in the cost of insurance forced the Board to approve its third budget reduction plan in the past four years. The most recent plan included the closing of three buildings, which more appropriately aligned its facility structure to accommodate the lower student population that is now being served by the District. The closures also 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 Central Elementary Building

As a result of building closures, the District was left with three vacated buildings at its disposal. The District was successful in negotiating a deal with the Ross County Commissioners to sell one of the vacated buildings, Central Elementary. That sale generated an additional \$525,000 for the District which aided District operations. The District's McArthur Elementary building is currently awaiting sale at auction. Hopewell Elementary (the other closed building) is located on the same site as another of the District's operational facilities and therefore is not a viable candidate for disposal. Therefore, a portion of that building is currently being leased, which more than offsets the cost of required utilities and maintenance.

Continuous Improvement Plan (CIP)

The District adopted a revised three-year school improvement plan in 2004 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, recent 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. The Department of Education, Division of School Finance now 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 mandates a Five-Year Professional Development plan, the integration of technology and multiculturalism, and student assessment practices accompanying the received curricula. During the 2003-04 school year, the Curriculum Director and staff reviewed and revised the District's mathematics scope and sequence. 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 new assessment program for grades 3 – 8 and the Ohio School Graduation Test.

Summer School

Over 700 students enrolled in the District's 2004 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 2003-04 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.

Proficiency preparation for students who had failed portions of the Fourth, Sixth, and Ninth Grade Proficiency tests was also provided to students during the summer. A special six-week proficiency intervention session was offered to grades 1 through 6. This program, funded by the Ohio Department of Education and Federal grants, extended student learning and required teachers to complete a special Summer Intervention Reading Institute. In addition, a three-week Jump Start Program was offered to students entering kindergarten and first grade.

Even Start

The District received an Even Start grant that provides funding for families who are working to obtain a GED and have children from the age of birth through eight. The Even Start program provides tutoring support for the adults, parenting classes, and literacy activities for the students. This year, a preschool program has been added to enrich learning opportunities prior to 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 via a computer take a test 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 design phase of its new high school / middle school facility. During the fall and winter of 2004, the Board of Education will be approving the design and schematic drawings for the new facility. As part of this process, the Board will be approving the program of requirements which will determine the space required to deliver the instructional services. Ground breaking on the new facility is planned for late spring / early summer of 2005. Construction is anticipated to take two years.

Technology Initiatives

The District's 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 to 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 Projects

The District is working on a Literacy Project supported by the State Department of Education and 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.

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

As part of this reporting model, management is responsible for preparing a Management's 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 2004 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, 2004 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 2004 was \$171,276.

The 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, Sections 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, short-term commercial paper, 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, 2003. 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, 2003. 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

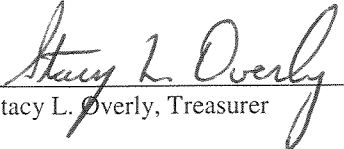
The State of Ohio Auditor's Office conducted the District's 2004 fiscal year audit. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's 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,


Stacy L. Overly, Treasurer


Dr. Michael Trego, Superintendent

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Chillicothe City School District,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



Nancy L. Zielle

President

Jeffrey R. Enos

Executive Director

**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, 2003

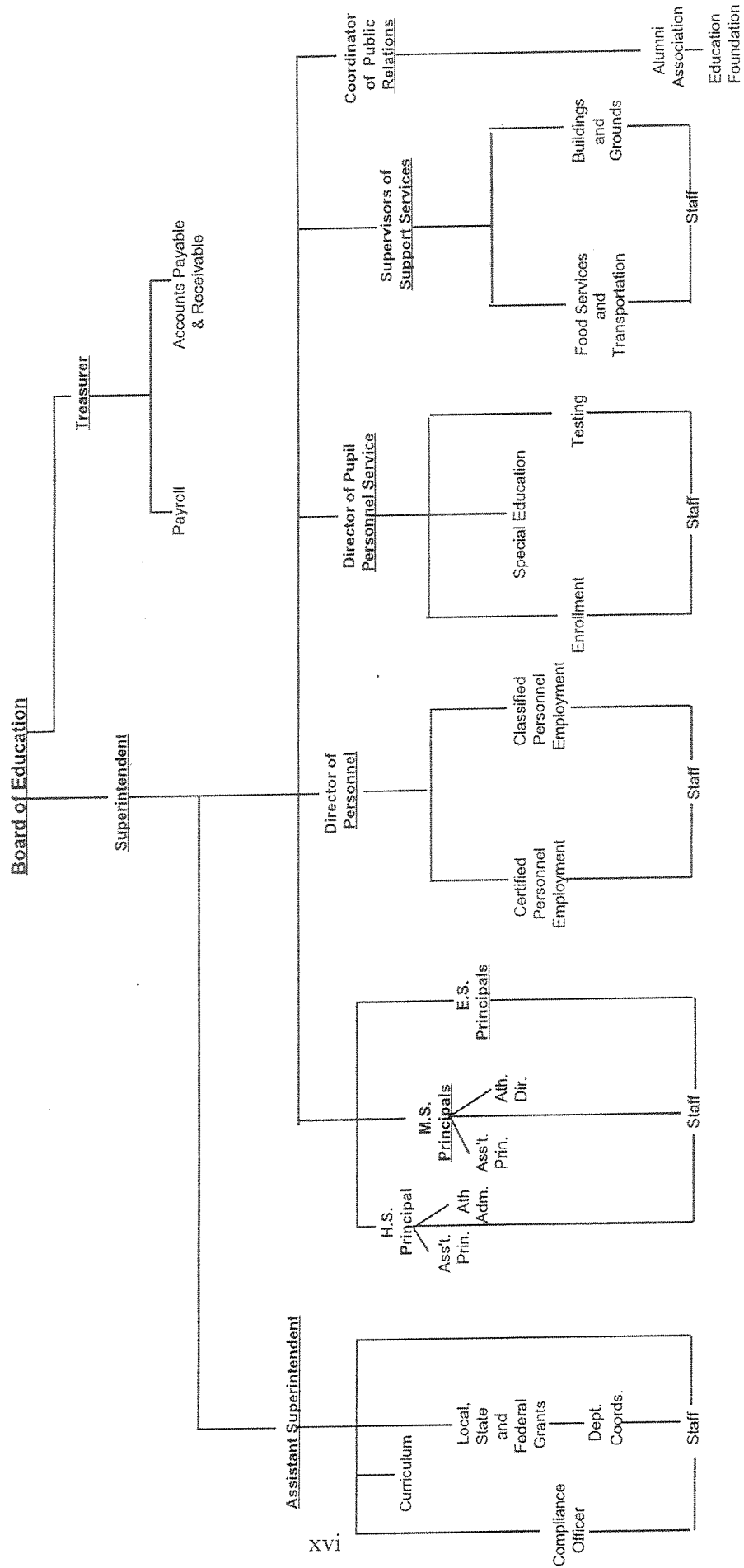
Upon recommendation of the Association's Panel of Review which has judged the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

William F. Hall
President

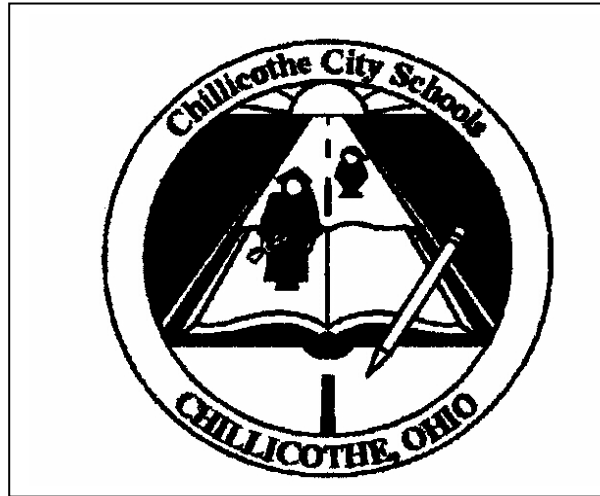
Barbara W. Nelder
Executive Director

CHILLICOTHE CITY SCHOOLS
Organizational Chart

File: CCA



CHILlicothe CITY SCHOOL DISTRICT



FINANCIAL SECTION

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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 the Chillicothe City School District, Ross County, Ohio, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As further discussed in Note 3 to the financial statements, the District reclassified certain funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and the statistical tables are presented for additional analysis 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, 2004

Chillicothe City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(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, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at June 30, 2004 by \$6,256,986.
- The District's net assets of governmental activities decreased \$1,866,748, which represents a 22.9% decrease from 2003.
- General revenues accounted for \$19,298,968 in revenue or 72 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,342,451 or 28 percent of total revenues of \$26,641,419.
- The District had \$28,508,167 in expenses related to governmental activities; only \$7,342,451 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues supporting governmental activities (primarily taxes and un-restricted grants and entitlements) of \$19,298,968 were not 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 and construction fund are the only two 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.

Chillicothe City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

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.

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, operation and maintenance of capital assets, pupil transportation, and extracurricular activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's funds begins on page 7. 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 and Construction fund.

Governmental Funds. Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 financial 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 medical run off claims and dental claims. 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, 2004
(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 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets:		
Current Assets	\$48,150,828	\$15,907,932
Restricted Assets	29,957	293,071
Capital Assets, Net	8,780,610	9,287,440
Total Assets	56,961,395	25,488,443
Liabilities:		
Current and Other Liabilities	13,223,517	14,300,683
Long-Term Liabilities	37,480,892	3,064,026
Total Liabilities	50,704,409	17,364,709
Net Assets:		
Invested in Capital Assets, Net of Related Debt	7,155,610	7,515,912
Restricted	1,107,705	1,986,915
Unrestricted	(2,006,329)	(1,379,093)
Total Net Assets	\$6,256,986	\$8,123,734

The large increase reflected in both current assets and long term liabilities is related to the note proceeds the District issued in anticipation of the \$34 million bond issue passed in March 2003. The proceeds of the issue will be used to renovate and construct a new high school/middle school complex, which will be located on the existing high school site.

Capital assets reflect a decrease, which is primarily related to factors. First, the District sold one of the buildings it vacated at the beginning of the 2003-04 school year. The building was closed as part of a budget balancing plan the Board adopted in the Spring of 2003. Also accumulated depreciation contributed to the decrease noted. Unrestricted Net Assets decreased as a result of higher compensated absences.

Chillicothe City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2004 and June 30, 2003.

Table 2
Change in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program Revenues:		
Charges for Services	\$1,890,724	\$2,195,250
Capital Grants and Contributions	0	500,000
Operating Grants and Contributions	5,451,727	5,585,951
Total Program Revenues	7,342,451	8,281,201
General Revenues:		
Property Taxes	12,197,565	11,974,340
Grants and Entitlements not Restricted to Specific Programs	6,545,788	6,733,797
Gifts and Donations not Restricted to Specific Programs	26,833	0
Investment Earnings	171,276	116,855
Gain on Sale of Capital Assets	155,945	0
Other	201,561	188,866
Total General Revenues	19,298,968	19,013,858
Total Revenues	26,641,419	27,295,059
Program Expenses		
Instruction		
Regular	12,621,430	12,163,589
Special	3,046,814	3,256,889
Vocational	4,067	9,408
Adult/Continuing	0	3,872
Other	177,316	169,954
Support Services		
Pupil	1,709,709	1,576,558
Instructional	1,742,420	1,966,112
Board Of Education	59,859	31,750
Administration	2,061,528	2,503,066
Business & Fiscal	891,206	672,017
Maintenance	2,509,503	2,510,074
Pupil Transportation	865,188	955,208
Central	130,946	143,477
Operation of Non-Instructional Services	1,601,095	1,733,371
Extracurricular Activities	595,741	579,848
Interest & Fiscal Charges	491,345	101,528
Total Expenses	28,508,167	28,376,721
Net Assets at Beginning of Year	8,123,734	9,205,396
Increase (Decrease) in Net Assets	(1,866,748)	(1,081,662)
Net Assets at End of Year	\$6,256,986	\$8,123,734

Due to the fact the District's enrollment declined and the District operated fewer buildings during the 2003-04 school year, charges for services and grants and entitlements reflect a decrease. Grants and entitlements were also negatively impacted by state budgetary decisions. In 2003, the District received a \$500,000 Federal Emergency Repair Grant to repair the high school roof. This grant was not received in 2004, which accounts for the reduction noted. Property taxes reflect an increase from 2003. The increase noted is primarily related to a valuation increase at MeadWestvaco and slightly higher delinquent tax collections.

Chillicothe City School District, Ohio
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 (Unaudited)

Base salaries and wages increased three percent according to the collective bargaining agreements with both of the District's organized unions. Also health insurance expenses noticed large increases from 2003 to 2004. However, the District was able to hold the line on total expenditures from 2003 to 2004 because of budget reduction measures taken by the Board in the spring of 2003.

Governmental Activities

Property taxes comprised 46 percent of revenue for governmental activities of the Chillicothe City School District for fiscal year 2004 and represents the one of the largest sources of revenue. Since 1994, property tax revenue has increased 19.5%. 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. Re-appraisals and valuation updates occur once every three years within the District.

Grants and entitlements comprised 45 percent of revenue for governmental activities during 2004. Since 1994, grant and entitlement revenue has only increased 8.7%. Obviously, the increase noted here has been minimal. Revenue growth has been limited since 1994 primarily due to declining enrollment, which is a factor in determining grant and entitlement allocations. In addition, state budgetary decisions have also recently had a detrimental impact on unrestricted state aid growth.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 56 percent of governmental program expenses with support services comprising 35 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 2004 as compared to 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2004		2003	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$15,849,627	\$(12,104,155)	\$15,603,712	\$(11,583,688)
Support Services	9,970,359	(7,723,773)	10,358,262	(7,663,479)
Operation of Non-instructional Services	1,601,095	(344,129)	1,733,371	(284,416)
Extracurricular Activities	595,741	(502,314)	579,848	(462,409)
Interest and Fiscal Charges	491,345	(491,345)	101,528	(101,528)
Total Expenses	\$28,508,167	\$(21,165,716)	\$28,376,721	\$(20,095,520)

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 \$62,214,183 and expenditures and other financial uses of \$28,300,147. 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 \$71,912. This increase was primarily due to reduction measures adopted by the Board to balance its budget.

Chillicothe City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

The fund balance of the Construction Fund increased by 33,988,406. This increase was primarily due to the issuance of \$34,000,000 in bond anticipation notes.

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 2004, there were revisions to the General Fund budget. In part, the revision increased appropriations in the amount of \$10,626 to account for the implementation of the District's Strategic Plan. Within each departmental unit, an administrator may make small line item adjustments within the budget, as long as the total amount does not exceed their original budget allowance. Estimated resources increased by \$285,214 due to an increase in intergovernmental revenue. The District's ending unobligated cash balance was \$368,770 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4 shows the fiscal year 2004 balances compared to 2003.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	2004	2003
Land & Improvements	\$720,020	\$740,673
Construction in Progress	77,388	0
Buildings and Improvements	4,810,002	5,148,546
Furniture and Equipment	2,977,606	3,162,711
Vehicles	195,594	235,510
Totals	\$8,780,610	\$9,287,440

Changes in capital assets from the prior year resulted from additions, deletions and depreciation. The District sold one of its elementary buildings which attributed to most of the \$506,830 decrease in assets. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 9).

Debt

At June 30, 2004, the District had \$35,625,000 in notes outstanding with \$34,150,000 due within one year. Table 5 summarizes the notes outstanding:

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2004	2003
1999 General Obligation Notes	\$1,625,000	\$1,765,000
2004 Construction Bond Anticipation Notes	34,000,000	0

Chillicothe City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

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 Bond Anticipation Notes were issued in 2004 in the amount of \$34,000,000 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, 2004 the District's overall legal debt margin was \$44,050,184 with an unvoted debt margin of \$489,446.

Current Financial Related Activities

The District has been hard hit by recent valuation reductions, declining resident student enrollment, state budget cuts, and extremely low earnings from investments. These factors combined with huge increases in the cost of insurance forced the Board to approve its third budget reduction plan in the past four years. The most recent plan included the closing of three buildings, which more appropriately aligned its facility structure to accommodate the lower student population that is now being served by the District. The closures also 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.

As a result of building closures, the District was left with three vacated buildings at its disposal. The District was successful in negotiating a deal with the Ross County Commissioners to sell one of the vacated buildings, Central Elementary. That sale generated an additional \$525,000 for the District which aided District operations. The District's McArthur Elementary building is currently awaiting sale at auction. Hopewell Elementary (the other closed building) is located on the same site as another of the District's operational facilities and therefore is not a viable candidate for disposal. A portion of that building is currently being leased which more than offsets the cost of required utilities and maintenance.

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. The Department of Education, Division of School Finance now conducts monthly reviews of the District's financial condition. Since reductions made were in advance of major financial difficulties, the District has been able to preserve the fabric and content of its curricular and co-curricular programs. Additional information regarding subsequent financial events are 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 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 Stacy Overly, 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, 2004

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$36,738,046
Accrued Interest Receivable	59,918
Accounts Receivable	3,314
Intergovernmental Receivable	352,086
Taxes Receivable	10,997,464
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	29,957
Non-Depreciable Capital Assets	699,598
Depreciable Capital Assets, net	8,081,012
<i>Total Assets</i>	\$56,961,395
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$68,982
Accrued Wages and Benefits	2,237,238
Contracts Payable	77,388
Intergovernmental Payable	680,142
Accrued Interest Payable	409,623
Matured Compensated Absences Payable	14,679
Deferred Revenue	9,701,839
Claims Payable	15,175
Early Retirement Incentive Payable	18,451
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	34,403,412
Due in More Than One Year	3,077,480
<i>Total Liabilities</i>	50,704,409
 NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	7,155,610
Restricted for Capital Projects	637,768
Restricted for Permanent Fund:	
Non-Expendable	450,000
Expendable	19,937
Unrestricted	(2,006,329)
<i>Total Net Assets</i>	\$6,256,986

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, 2004

	<u>Program Revenues</u>		<u>Net (Expense)</u>	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
			<u>Revenue and Changes in Net Assets</u>	
Governmental Activities:				
Instruction:				
Regular	\$12,621,430	\$611,412	\$1,561,452	(\$10,448,566)
Special	3,046,814	91,053	1,452,216	(1,503,545)
Vocational	4,067	22,257	0	18,190
Other	177,316	7,082	0	(170,234)
Support Services:				
Pupils	1,709,709	59,491	549,446	(1,100,772)
Instructional Staff	1,742,420	140,285	574,790	(1,027,345)
Board of Education	59,859	3,035	0	(56,824)
Administration	2,061,528	91,731	170,399	(1,799,398)
Fiscal	780,112	35,409	18,323	(726,380)
Business	111,094	5,058	0	(106,036)
Operation and Maintenance of Plant	2,509,503	118,638	6,246	(2,384,619)
Pupil Transportation	865,188	38,445	413,514	(413,229)
Central	130,946	3,235	18,541	(109,170)
Operation of Non-Instructional Service	1,601,095	571,183	685,783	(344,129)
Extracurricular Activities	595,741	92,410	1,017	(502,314)
Interest and Fiscal Charges	491,345	0	0	(491,345)
Total Governmental Activities	<u>28,508,167</u>	<u>1,890,724</u>	<u>5,451,727</u>	<u>(21,165,716)</u>

General Revenues:

Property Taxes Levied for:	
General Purposes	12,197,565
Grants and Entitlements	
not Restricted to Specific Programs	6,545,788
Gifts and Donations not Restricted to	
Specific Programs	26,833
Investment Earnings	171,276
Gain on Sale of Capital Assets	155,945
Miscellaneous	201,561
Total General Revenues	<u>19,298,968</u>
Change in Net Assets	(1,866,748)
Net Assets Beginning of Year	8,123,734
Net Assets End of Year	<u>\$6,256,986</u>

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

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Chillicothe City School District
Balance Sheet
Governmental Funds
as of June 30, 2004

	General	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$862,332	\$34,008,408	\$1,777,163	\$36,647,903
Accrued Interest Receivable	1,278	57,386	1,254	59,918
Accounts Receivable	1,733	0	1,581	3,314
Interfund Receivable	64,101	0	0	64,101
Intergovernmental Receivable	0	0	352,086	352,086
Taxes Receivable	10,997,464	0	0	10,997,464
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	29,957	0	0	29,957
<i>Total Assets</i>	<u>\$11,956,865</u>	<u>\$34,065,794</u>	<u>\$2,132,084</u>	<u>\$48,154,743</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$57,006	\$0	\$11,976	\$68,982
Contracts Payable	0	77,388	0	77,388
Accrued Wages and Benefits	1,728,496	0	508,742	2,237,238
Interfund Payable	0	0	64,101	64,101
Intergovernmental Payable	305,448	0	79,547	384,995
Matured Compensated Absences Payable	14,679	0	0	14,679
Deferred Revenue	10,016,169	0	160,127	10,176,296
Early Retirement Incentive Payable	18,451	0	0	18,451
<i>Total Liabilities</i>	<u>12,140,249</u>	<u>77,388</u>	<u>824,493</u>	<u>13,042,130</u>
Equity:				
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	191,917	37,326	228,298	457,541
Reserved for Property Taxes	981,295	0	0	981,295
Reserved for Bus Purchases	29,957	0	0	29,957
Reserved for Library Purposes	0	0	450,000	450,000
Designated for Budget Stabilization	300,000	0	0	300,000
Unreserved, Undesignated, Reported in:				
General Fund	(1,686,553)	0	0	(1,686,553)
Special Revenue Funds	0	0	148,398	148,398
Capital Projects Funds	0	33,951,080	460,958	34,412,038
Permanent Funds	0	0	19,937	19,937
<i>Total Fund Balances</i>	<u>(183,384)</u>	<u>33,988,406</u>	<u>1,307,591</u>	<u>35,112,613</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,956,865</u>	<u>\$34,065,794</u>	<u>\$2,132,084</u>	<u>\$48,154,743</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
June 30, 2004

Total Governmental Fund Balances		\$ 35,112,613
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.		8,780,610
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	314,330	
Intergovernmental	160,127	
Total		474,457
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.		74,968
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(295,147)
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	(409,623)	
Compensated Absences	(1,855,892)	
General Obligation Notes	(34,000,000)	
Energy Conservation Notes	(1,625,000)	
Total		(37,890,515)
Net Assets of Governmental Activities		\$ 6,256,986

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, 2004

	<u>General</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$12,163,791	\$0	\$0	\$12,163,791
Intergovernmental	7,341,615	0	5,293,091	12,634,706
Interest	98,409	65,794	7,073	171,276
Tuition and Fees	901,577	0	245,281	1,146,858
Rent	53,141	0	0	53,141
Extracurricular Activities	0	0	117,161	117,161
Gifts and Donations	26,833	0	49,655	76,488
Customer Sales and Services	58,597	0	549,804	608,401
Miscellaneous	107,928	0	58,440	166,368
<i>Total Revenues</i>	<u>20,751,891</u>	<u>65,794</u>	<u>6,320,505</u>	<u>27,138,190</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	10,357,950	0	1,750,309	12,108,259
Special	1,927,548	0	1,101,852	3,029,400
Vocational	4,073	0	0	4,073
Other	156,157	0	0	156,157
Support Services:				
Pupils	1,104,881	0	564,657	1,669,538
Instructional Staff	970,389	0	713,601	1,683,990
Board of Education	58,091	0	0	58,091
Administration	1,840,180	0	178,715	2,018,895
Fiscal	704,202	0	40,523	744,725
Business	107,230	0	0	107,230
Operation and Maintenance of Plant	2,384,515	0	9,683	2,394,198
Pupil Transportation	796,932	0	11,573	808,505
Central	74,940	0	36,643	111,583
Operation of Non-Instructional Services	2,280	0	1,463,805	1,466,085
Extracurricular Activities	461,868	0	122,343	584,211
Capital Outlay		77,388	499,076	576,464
Debt Service:				
Principal	140,000	0	0	140,000
Interest	88,250	0	0	88,250
<i>Total Expenditures</i>	<u>21,179,486</u>	<u>77,388</u>	<u>6,492,780</u>	<u>27,749,654</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>(427,595)</u>	<u>(11,594)</u>	<u>(172,275)</u>	<u>(611,464)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers - In	525,000	0	25,493	550,493
Proceeds from Sale of Fixed Assets	0	0	525,500	525,500
Proceeds from Sale of Notes	0	34,000,000	0	34,000,000
Transfers - Out	(25,493)	0	(525,000)	(550,493)
<i>Total Other Financing Sources and Uses</i>	<u>499,507</u>	<u>34,000,000</u>	<u>25,993</u>	<u>34,525,500</u>
<i>Net Change in Fund Balances</i>	71,912	33,988,406	(146,282)	33,914,036
<i>Fund Balance (Deficit) at Beginning of Year</i>				
- As Restated - See Note 3	(255,296)	0	1,453,873	1,198,577
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$183,384)</u>	<u>\$33,988,406</u>	<u>\$1,307,591</u>	<u>\$35,112,613</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, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 33,914,034

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	924,206	
Current Year Depreciation	(1,061,481)	
Total		(137,275)

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	(525,500)	
Gain on Disposal of Capital Assets	155,945	
Total		(369,555)

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

Taxes	33,774	
Intergovernmental	(637,191)	
Miscellaneous	35,193	
Gifts and Donations	(49,655)	
Tuition and Fees	(34,837)	
Total		(652,716)

Repayment of bond principal 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.

140,000

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.

214,656

Proceeds from the sale of notes in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(34,000,000)

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	(556,866)	
Increase in Interest Payable	(403,095)	
Increase in Intergovernmental Payable	(15,931)	

Total		(975,892)
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Net Change in Net Assets of Governmental Activities **\$ (1,866,748)**

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
REVENUES:				
Property and Other Local Taxes	\$12,777,318	\$12,793,126	\$12,109,535	(\$683,591)
Intergovernmental	6,088,346	6,447,703	7,341,615	893,912
Interest	83,073	91,481	101,401	9,920
Tuition and Fees	896,408	798,049	902,112	104,063
Rent	55,000	55,000	53,141	(1,859)
Gifts and Donations	27,000	27,000	26,833	(167)
Customer Sales and Services	50,500	50,500	58,597	8,097
Payments in Lieu of Taxes	82,745	82,745	82,745	0
Miscellaneous	18,200	18,200	20,549	2,349
Total Revenues	<u>20,078,590</u>	<u>20,363,804</u>	<u>20,696,528</u>	<u>332,724</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	10,494,897	10,403,836	10,286,835	117,001
Special	1,866,317	1,872,317	1,945,810	(73,493)
Vocational	6,839	6,839	4,086	2,753
Other	112,150	169,640	164,263	5,377
Support Services:				
Pupils	1,007,746	999,058	1,124,435	(125,377)
Instructional Staff	1,420,476	1,420,477	993,661	426,816
Board of Education	65,999	78,912	67,657	11,255
Administration	1,834,266	1,829,968	1,931,646	(101,678)
Fiscal	677,405	740,988	708,784	32,204
Business	128,080	127,280	108,795	18,485
Operation and Maintenance of Plant	2,448,528	2,436,011	2,477,172	(41,161)
Pupil Transportation	907,064	887,798	823,804	63,994
Central	112,632	104,901	75,072	29,829
Operation of Non-Instructional Services	2,000	2,000	2,414	(414)
Extracurricular Activities	447,771	447,771	459,452	(11,681)
Debt Service:				
Principal	140,000	140,000	140,000	0
Interest	88,250	88,250	88,250	0
Total Expenditures	<u>21,760,420</u>	<u>21,756,046</u>	<u>21,402,136</u>	<u>353,910</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,681,830)</u>	<u>(1,392,242)</u>	<u>(705,608)</u>	<u>686,634</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	800,471	800,471	525,000	(275,471)
Refund of Prior Year Expenditures	6,520	6,520	6,535	15
Advances In	17,671	17,671	17,671	0
Transfers Out	(10,000)	(10,000)	(25,493)	(15,493)
Refund of Prior Year Receipts	(2,500)	(2,500)	(314)	2,186
Advances Out	(20,000)	(35,000)	(64,101)	(29,101)
Total Other Financing Sources and Uses	<u>792,162</u>	<u>777,162</u>	<u>459,298</u>	<u>(317,864)</u>
Net Change in Fund Balances	(889,668)	(615,080)	(246,310)	368,770
Fund Balance (Deficit) at Beginning of Year	619,093	619,093	619,093	0
Prior Year Encumbrances Appropriated	270,576	270,576	270,576	0
Fund Balance (Deficit) at End of Year	<u>\$1</u>	<u>\$274,589</u>	<u>\$643,359</u>	<u>\$368,770</u>

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, 2004

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$90,143
<i>Total Assets</i>	90,143
LIABILITIES:	
Current Liabilities:	
Claims Payable	15,175
<i>Total Liabilities</i>	15,175
NET ASSETS:	
Unrestricted	\$74,968

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, 2004

	Governmental Activities
	Internal Service Fund
Operating Revenues:	
Charges for Services	\$437,995
<i>Total Operating Revenue</i>	437,995
Operating Expenses:	
Purchased Services	65,462
Claims Expense	157,877
<i>Total Operating Expenses</i>	223,339
Change in Net Assets	214,656
Net Assets (Deficit) at Beginning of Year	
- As Restated - See Note 3	(139,688)
Net Assets at End of Year	\$74,968

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, 2004

	<i>Governmental Activities</i>
	Internal Service Fund
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Transaction with Other Funds	\$437,995
Cash Payments to Suppliers for Services	(65,462)
Cash Payments for Claims	(473,216)
<i>Net Cash Used for Operating Activities</i>	(100,683)
Cash and Cash Equivalents at Beginning of Year	190,826
Cash and Cash Equivalents at End of Year	\$90,143
 <i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i>	
Operating Income	\$214,656
<i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	(315,339)
<i>Net Cash Provided by Operating Activities</i>	(\$100,683)

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, 2004

	<u>Agency</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$75,365
<i>Total Assets</i>	<u><u>75,365</u></u>
LIABILITIES:	
Current Liabilities:	
Due to Students	62,142
Undistributed Monies	13,223
<i>Total Liabilities</i>	<u><u>\$75,365</u></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, 2004

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 133 non-certified employees, 224 certificated full-time teaching personnel and 13 administrative employees who provide services to 3,387 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, 2004

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.

Construction Fund

A fund used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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.

CHILlicothe CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Chillicothe City 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 district's only internal service fund accounts for the self-insurance program for employee dental claims and for medical run-off claims.

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.

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.

CHILLCOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

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, 2004

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, grants, and fees.

Deferred Revenue

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

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.

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.

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 2004.

CHILlicothe City School District
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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/expenses on a non-GAAP budgetary basis in the Required Supplemental Information.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. 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.

During fiscal year 2004, investments were limited to STAROhio and U.S. Government Securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. 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, 2004.

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 2004 amounted to \$98,409. The Construction major fund, the Food Service Fund and the Permanent Fund earned interest revenue of \$65,794, \$824 and \$6,249, respectively.

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.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	10-25 years
Building and Improvements	10-50 years
Furniture and Equipment	5-20 years
Vehicles	7-15 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, 2004

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, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits 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 loans, and capital leases are recognized as a liability on the fund financial statement when due.

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, and amounts set-aside by the School District for the creation of a reserve for budget stabilization. A corresponding fund balance reserve has also been established for each of these amounts. 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.

L. Fund Balance Reserves/Designations

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

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

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. The reserve for budget stabilization represents money set-aside in accordance with State statute to protect against cyclical changes in revenues and expenditures. A reserve for budget stabilization is no longer required by State Statute however the District established a designation for Budget Stabilization.

M. Operating Revenues and Expenses

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

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.

NOTE 3-CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year 2004, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No.39, "Determining Whether Certain Organizations are Component Units." GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government.

At June 30, 2004, the District does not have any organizations that qualify as a component unit of the primary government.

Restatements: Restatements were made to reclassify the internal service activity previous reported within the general fund on the modified basis.

These restatements had the following effects on fund balance of the major and internal service funds of the District as they were previously reported.

	General	Internal Service
Fund Balances, June 30, 2003	\$(394,984)	\$0
Restatement Amount	139,688	(139,688)
Restated Fund Balances, July 1, 2004	\$(255,296)	(\$139,688)

*CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004*

NOTE 4-ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2004, the General Fund, Uniform Schools, Public Preschool, Disadvantaged Pupil Impact Act, Title VI-B, and Drug Free Special Revenue Funds had deficit fund balances of \$183,384, \$15,691, \$7,618, \$172,225, \$20,621, and \$321 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.

B. Expenditures Exceeding Appropriations

At year end, expenditures exceeded appropriatins in the Education Management Information non-major special revenue fund in the amount of \$521.

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/expenses 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	\$71,912
Revenue Accruals	(31,157)
Expenditure Accruals	(38,142)
Encumbrances	<u>(248,923)</u>
Budget Basis	<u>(\$246,310)</u>

CHILlicothe CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

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 Cooperation (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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

*CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004*

NOTE 6-DEPOSITS AND INVESTMENTS (Continued)

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

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

The following information classifies deposits and investments by categories of risk as defined in *GASB Statement No. 3, "Deposits With Financial Institutions, Investments, (including Repurchase Agreements), and Reverse Repurchase Agreements."*

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$875,376 and the bank balance was \$1,075,352. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$975,352 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAROhio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair Value/ Carrying Value</u>
STAR Ohio	\$0	\$1,959,857	\$1,959,857
U.S. Government Securities	<u>34,008,135</u>	<u>0</u>	<u>34,008,135</u>
Totals	<u>\$34,008,135</u>	<u>\$1,959,857</u>	<u>\$35,967,992</u>

CHILlicoTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

NOTE 6-DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."*

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$36,843,368	\$0
Investments:		
STAR Ohio	(1,959,857)	1,959,857
U. S. Government Securities	<u>(34,008,135)</u>	<u>34,008,135</u>
<i>GASB Statement No. 3</i>	<u>\$ 875,376</u>	<u>\$35,967,992</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 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) are for calendar 2003 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, 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. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2004 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. 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, 2004

NOTE 7-PROPERTY TAXES (Continued)

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

	<u>2003 Second-Half Collections</u>		<u>2004 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and other Real Estate	\$324,741,110	67.86%	\$328,091,340	67.03%
Public Utility	28,059,280	5.86%	24,417,050	4.99%
Tangible Personal Property	<u>125,725,980</u>	<u>26.28%</u>	<u>136,938,100</u>	<u>27.98%</u>
Total Assessed Value	<u>\$ 478,526,370</u>	<u>100.00%</u>	<u>\$489,446,490</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed valuation	 \$37.70		 \$37.70	

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, 2004, are available to finance fiscal year 2004 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, 2004. 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, 2004, was \$981,295 in the General 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, 2004, 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:

Special Revenue Funds:

Title I	\$209,077
Title VI	493
Title VI-B	53,406
Drug Free Schools	1,410
Food Service	61,360
Teacher Development	5,825
Public School Preschool	10,862
Misc. Federal Grant	<u>9,653</u>

Total Non-Major Funds: \$352,086

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

NOTE 9-CAPITAL ASSETS

Capital assets activity of the fiscal year ended June 30, 2004, was as follows:

	Ending Balance 6/30/03	Additions	Deletions	Ending Balance 6/30/04
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$0	\$77,388	\$0	\$77,388
Land	622,210	0	0	622,210
Total Capital Assets, Not Being Depreciated	622,210	77,388	0	699,598
Capital Assets Being Depreciated				
Land Improvements	785,009	0	(46,430)	738,579
Building & Improvements	15,168,468	499,044	(949,817)	14,717,695
Furniture and Equipment	5,863,435	347,774	(529,672)	5,681,537
Vehicles	1,084,024	0	0	1,084,024
Total Capital Assets, Being Depreciated	22,900,936	846,818	(1,525,919)	22,221,835
Less Accumulated Depreciation:				
Land Improvements	(666,546)	(19,368)	45,145	(640,769)
Buildings and Improvements	(10,019,922)	(504,918)	617,147	(9,907,693)
Furniture and Equipment	(2,700,724)	(497,279)	494,072	(2,703,931)
Vehicles	(848,514)	(39,916)	0	(888,430)
Total Accumulated Depreciation	(14,235,706)	*(1,061,481)	1,156,364	(14,140,823)
Total Capital Assets Being Depreciated, Net	8,665,230	(214,663)	(369,555)	8,081,012
Governmental Activities Capital Assets, Net	\$9,287,440	\$(137,275)	\$(369,555)	\$8,780,610

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

Instruction:	
Regular	\$583,718
Special	38,930
Other	21,159
Support Services:	
Pupil	6,077
Instructional Staff	23,264
Administration	12,432
Board of Education	1,606
Business	5,025
Fiscal	11,009
Operation & Maintenance of Plant	30,759
Pupil Transportation	47,281
Central	19,376
Non-Instructional Services	251,976
Extracurricular Activities	8,869
Total Depreciation Expense	\$1,061,481

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

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 2004, the School District contracted with Marsh USA for liability, property, fleet, inland marine, and boiler and machinery insurance. Coverages provided are as follows:

<i>General Liability:</i>	
General Aggregate Limit	\$4,000,000
Each Occurrence Combined Single Limit	2,000,000
Medical Expense Limit (Any One Person)	5,000
<i>Employee Benefit Liability (1,000 Deductible):</i>	
Annual Policy Aggregate Limit	4,000,000
Each Wrongful Account Limit	2,000,000
<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.	65,481,830

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 (\$500 Deductible)	
Collision (\$500 Deductible)	

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

For fiscal year 2004, 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. 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.

*CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004*

NOTE 10-RISK MANAGEMENT (Continued)

Dental insurance is offered to employees through a self-insurance internal service fund. Klais and Company, Inc., the School District's third party administrator, informs the School District of claim payments needed each week, who in turn pays the claims on the School District's behalf.

An administrative charge is paid monthly to Klais and Company, Inc. The claims liability of \$15,175 at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past three years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$453,188	\$1,999,137	\$2,108,174	\$344,151
2003	344,151	2,746,356	2,759,993	330,514
2004	330,514	157,877	473,216	15,175

As of July 1, 2003, the Chillicothe City School District provided medical insurance through a private carrier, Anthem Blue Cross/Blue Shield.

NOTE 11-DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$404,824, \$269,493, and \$218,273, respectively; 53 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$191,207 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

NOTE 11-DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions in to the DC plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

The DB Plan Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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 designed beneficiary is entitled to receive the member's account balance.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

NOTE 11-DEFINED BENEFIT PENSION PLANS (Continued)

Member contributions for the Combined Plan Benefits are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 13% of annual covered salary was the portion used to fund health care obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Effective July 1, 2003, the member contribution rate increased to the statutory maximum of 10 percent. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,589,348, \$1,701,123, and \$1,137,974, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$263,779 represents the unpaid contribution for fiscal year 2004 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, 2004, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

NOTE 12-POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$122,475 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 serviced credit. For fiscal year 2004, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$313,150.

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 annual health care expenses. Expenses for health care at June 30, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003 (the latest information available), SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving 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.

CHILlicothe City School District

Notes to the Basic Financial Statements

For the Fiscal year Ended June 30, 2004

NOTE 13-EMPLOYEE BENEFITS (Continued)

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.

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 Chillicothe City 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 "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 30th 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 2004, 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, 2004*

NOTE 14-LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	<u>Outstanding 6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/04</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities</u>					
Energy Conservation Note – 5%	\$1,765,000	\$0	\$140,000	\$1,625,000	\$150,000
Construction Bond Anticipation Notes – 5.05%	0	34,000,000	0	34,000,000	34,000,000
Compensated Absences	<u>1,299,026</u>	<u>556,866</u>	<u>0</u>	<u>1,855,892</u>	<u>253,412</u>
Total Governmental Activities Long Term Obligations	<u>\$3,064,026</u>	<u>\$34,556,866</u>	<u>\$140,000</u>	<u>\$37,480,892</u>	<u>\$34,403,412</u>

In 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 Code 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.

In fiscal year 2004, the School District issued \$34,000,000 in unvoted general obligation bond anticipation notes for the purpose of renovating and constructing buildings. As of fiscal year end, \$77,388 had been expended for capital outlay.

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

The School District's overall legal debt margin was \$44,050,184, the energy conservation debt margin was \$2,780,018, and the unvoted debt margin was \$489,446 at June 30, 2004.

Principal and interest requirements to retire general obligation debt at June 30, 2004 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$150,000	\$81,250	\$231,250
2006	155,000	73,750	228,750
2007	165,000	66,000	231,000
2008	170,000	57,750	227,750
2009	180,000	49,250	229,250
2010-2013	<u>805,000</u>	<u>102,750</u>	<u>907,750</u>
Totals	<u>\$1,625,000</u>	<u>\$430,750</u>	<u>\$2,055,750</u>

NOTE 15-INTERFUND ACTIVITY

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 \$525,000 from the Permanent Improvement Fund to the General Fund by court order.

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$525,000	\$25,493
<i>Non-Major Funds:</i>		
Permanent Improvement	<u>25,493</u>	<u>525,000</u>
Total All Funds	<u>\$550,493</u>	<u>\$550,493</u>

CHILlicothe CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

NOTE 15-INTERFUND ACTIVITY (Continued)

As of June 30, 2004, 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	\$64,101	\$0
<i>Non-Major Funds:</i>		
Public School Support	0	680
Title VI-B	0	24,900
Misc. Federal Grants	0	1,931
Teacher Development	0	5,825
Uniform School Supplies	<u>0</u>	<u>30,765</u>
<i>Total Non-Major Funds</i>	<u>0</u>	<u>64,101</u>
Total All Funds	<u>\$ 64,101</u>	<u>\$64,101</u>

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

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 \$98,446 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.

CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004

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 AND 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. The School District is no longer required to set-aside money for budget stabilization. The District used all of the budget stabilization monies set-aside during fiscal year 2004.

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

	Textbooks	Capital Acquisition	Budget Stabilization	Bus Purchase
Set Aside/Reserve Balance as of June 30, 2003	\$0	\$0	\$274,592	\$18,479
Current Year Set Aside/Reserve Requirement	489,102	489,102	0	11,478
Prior Year Carryover	(759,102)	0	0	0
Qualifying Disbursements	(1,091,216)	(610,550)	(274,592)	0
Set-Aside/Reserve Balance at June 30, 2004	(\$1,361,216)	(\$121,448)	\$0	\$29,957
Set-Aside/Reserve Balance Carried Forward to FY05	(\$1,361,216)	\$0	\$0	\$29,957

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, 2004.

NOTE 20-SCHOOL FUNDING COURT DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

*CHILICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004*

NOTE 21-SUBSEQUENT EVENT

On July 8, 2004 the Chillicothe City School District issued \$34,000,000 in General Obligation Bonds. These bonds were issued to retire or redeem the \$34,000,000 in School Improvement Unlimited Tax General Obligation Bond Anticipation Notes issued April 19, 2004. The purpose of these bonds is for an addition and renovations to the high school.

The General Obligation Bonds are made up of \$20,045,000 in serial bonds with an interest rate fluctuating from 2%-5.25% and will mature in the year 2026; \$13,160,00 in term bonds with an interest rate of 5% maturing in the year 2032; and three capital appreciation bonds totaling \$795,000 with interest rates ranging from 12.27%-12.31% with one maturing each year from 2012-2014.

In July 2004, the District was informed by the Ross County Auditor that MeadWestvaco (the District's largest taxpayer) reported an unexpected \$36.1 million drop in its 2004 tangible personal property valuations. This event, in combination with an increase in outgoing open enrollment and the non-sale of one of the District's vacated buildings (McArthur Elementary), substantially changed the District's economic outlook for fiscal 2005 and beyond. As such, the District submitted a revised five-year financial forecast to the Ohio Department of Education in October 2004, which indicated a \$400,000 deficit was likely by June 30, 2005. Due to the fact that the forecast reflected a deficit, the Department of Education issued a communication to the Board on November 1, 2004 requiring the board to develop a financial recovery plan to balance the budget for the current and subsequent fiscal years (FY05 and FY06).

On December 20, 2004, the Chillicothe Board of Education approved the following budget deficit reduction plan that included the following measures (it is important to note the plan includes the expectation that the District be awarded a State Catastrophic Grant related to the devastating impact of the MeadWestvaco devaluation):

Description	Amount of Savings	
	1/05 – 6/05	7/05 - 6/06
Core Budget Balancing Measures:		
Reduction of Extended Time (481 days to 269 days)	\$15,000	\$50,000
Dental Plan Savings	19,398	38,796
Copier Lease Savings	25,000	50,000
Eliminate Attendance Counselor Supplemental	1,355	2,710
Eliminate 1 HS Industrial Arts Position	28,930	49,100
Eliminate 1 HS Health Position	20,000	40,000
Savings Achieved by Realigning Staff & Attrition	59,153	87,205
Non-filling of 1 Classified Aide Position	14,957	17,266
Eliminate 1 HS Foreign Language Position	0	45,317
Eliminate .8 FTE of 1 MS Language Arts Position	0	26,000
Sub Total	\$183,793	\$406,394
Other Budget Balancing Measures:		
Receipt of State Catastrophic Grant	\$1,361,000	\$0
Proceeds from the Sale of McArthur Elementary	0	425,000
Proceeds from the Sale of Water St. Maintenance Building	0	75,000
Grand Total	\$1,544,793	\$906,394

*CHILLICOTHE CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal year Ended June 30, 2004*

NOTE 21-SUBSEQUENT EVENT (Continued)

Core Budget Balancing Measures (W/OUT LEVY PASSING):

HS/MS Spring Supplemental Contracts – Sports/Musical/Etc.	\$71,511	\$0
All Supplemental contracts – No sports/activities/clubs/etc.	0	475,797
No other reductions other than core reductions	0	0
	\$71,511	\$475,797

Core Budget Balancing Measures (WITH LEVY PASSING):

No other reductions other than core reductions	0	0
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The revised five-year forecast after consideration of the above budget balancing measures forecasts a general fund balance of \$688,676 at June 30, 2005 and \$530,477 at June 30, 2006. In addition, the District has placed an operating levy of six mills for each one thousand dollars of valuation on the February 8, 2005 ballot.

One (1) mill generates approximately \$480,000 for the District. Therefore the six mill issue would provide approximately \$2.8 million per year for the District. This issue is designed to provide at least five years of financial stability for the District.

NOTE 22-CONTRACT COMMITMENTS

As of June 30, 2004, the School District had contractual purchase commitments for professional design and construction services for the construction of and addition and renovations for the high school and for a roofing project at Allen Elementary as follows:

Contractor	Contract Amount	Amount Expended	Balance as of 06/30/04
Design Professional Contract	\$1,912,640	\$0	\$1,912,640
Construction Manager Contract	1,750,075	0	1,750,075
Duro-Last Roofing	182,716	0	182,716
Totals	\$3,845,431	\$0	\$3,845,431

**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 expendable trusts, or 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 or expendable trusts (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 Student 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 Systems

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

Truancy Prevention

A fund to account for monies which provide for the development of truancy prevention programs.

Public School Preschool

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

Disadvantaged Pupil Impact Aid

A fund used to account for monies received for disadvantaged pupil impact aid.

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.

Summer Intervention Regional Professional Development Grant

A fund used to account for summer intervention services.

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.

Federal Emergency Repair

A fund to account for federal funds used to support a roofing project.

Chillicothe City School District
Fund Descriptions

Nonmajor Special Revenue Funds (Continued)

Drug-Free Schools Grant

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.

Interactive Video Distance Learning

A fund used to account for State money used to finance the interactive video distance learning project.

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, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$647,341	\$661,139	\$468,683	\$1,777,163
Accounts Receivable	1,581	0	0	1,581
Accrued Interest Receivable	0	0	1,254	1,254
Intergovernmental Receivable	352,086	0	0	352,086
<i>Total Assets</i>	<u>1,001,008</u>	<u>661,139</u>	<u>469,937</u>	<u>2,132,084</u>
Liabilities and Fund Balances:				
Liabilities				
Accounts Payable	11,976	0	0	11,976
Accrued Wages and Benefits	503,679	5,063	0	508,742
Interfund Payable	64,101	0	0	64,101
Intergovernmental Payable	77,310	2,237	0	79,547
Deferred Revenue	160,127	0	0	160,127
<i>Total Liabilities</i>	<u>817,193</u>	<u>7,300</u>	<u>0</u>	<u>824,493</u>
Fund Balances:				
Reserved for Encumbrances	35,417	192,881	0	228,298
Reserved for Library Purposes	0	0	450,000	450,000
Undesignated - Reported in:				
Special Revenue	148,398	0	0	148,398
Capital Project	0	460,958	0	460,958
Permanent	0	0	19,937	19,937
<i>Total Fund Balances</i>	<u>183,815</u>	<u>653,839</u>	<u>469,937</u>	<u>1,307,591</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,001,008</u>	<u>\$661,139</u>	<u>\$469,937</u>	<u>\$2,132,084</u>

Chillicothe City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	\$5,293,091	\$0	\$0	\$5,293,091
Interest	824	0	6,249	7,073
Tuition and Fees	245,281	0	0	245,281
Extracurricular Activities	117,161	0	0	117,161
Gifts and Donations	49,655	0	0	49,655
Customer Sales and Services	549,804	0	0	549,804
Miscellaneous	58,440	0	0	58,440
<i>Total Revenues</i>	<u>6,314,256</u>	<u>0</u>	<u>6,249</u>	<u>6,320,505</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,749,677	632	0	1,750,309
Special	1,101,852	0	0	1,101,852
Support Services:				
Pupil	564,657	0	0	564,657
Instructional Staff	704,833	8,751	17	713,601
Administration	178,715	0	0	178,715
Fiscal	40,523	0	0	40,523
Operation and Maintenance of Plant	5,341	4,342	0	9,683
Pupil Transportation	10,273	1,300	0	11,573
Central	36,643	0	0	36,643
Operation of Non-Instructional Services	1,463,805	0	0	1,463,805
Extracurricular Activities	122,343	0	0	122,343
Capital Outlay	499,044	32	0	499,076
<i>Total Expenditures</i>	<u>6,477,706</u>	<u>15,057</u>	<u>17</u>	<u>6,492,780</u>
Excess of Revenues Over/(Under) Expenditures	(163,450)	(15,057)	6,232	(172,275)
Other Financing Sources:				
Transfers - In	0	25,493	0	25,493
Proceeds from Sale of Fixed Assets	500	525,000	0	525,500
Transfers - Out	0	(525,000)	0	(525,000)
<i>Total Other Financing Sources</i>	<u>500</u>	<u>25,493</u>	<u>0</u>	<u>25,993</u>
<i>Net Change in Fund Balances</i>	(162,950)	10,436	6,232	(146,282)
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>346,765</u>	<u>643,403</u>	<u>463,705</u>	<u>1,453,873</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$183,815</u>	<u>\$653,839</u>	<u>\$469,937</u>	<u>\$1,307,591</u>

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Chillicothe City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Food Service	Uniform School Supply	Rotary	Public School Support
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$73,289	\$14,493	\$316	\$131,829
Accounts Receivable	0	581	0	0
Intergovernmental Receivable	61,360	0	0	0
<i>Total Assets</i>	<u>\$134,649</u>	<u>\$15,074</u>	<u>\$316</u>	<u>\$131,829</u>
Liabilities and Fund Balances:				
Liabilities				
Accounts Payable	\$674	\$0	\$0	\$3,932
Accrued Wages and Benefits	104,950	0	0	4,883
Interfund Payable	0	30,765	0	680
Intergovernmental Payable	10,933	0	0	2,055
Deferred Revenue	0	0	0	0
<i>Total Liabilities</i>	<u>116,557</u>	<u>30,765</u>	<u>0</u>	<u>11,550</u>
Fund Balances:				
Reserved for Encumbrances	2,929	0	0	1,440
Unreserved, undesignated	15,163	(15,691)	316	118,839
<i>Total Fund Balances</i>	<u>18,092</u>	<u>(15,691)</u>	<u>316</u>	<u>120,279</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$134,649</u>	<u>\$15,074</u>	<u>\$316</u>	<u>\$131,829</u>

<u>Other Local Grants</u>	<u>District Managed Activities</u>	<u>Auxilliary Services</u>	<u>Teacher Development</u>	<u>Education Management Information</u>	<u>Public School Preschool</u>
\$52,160	\$44,103	\$89,740	\$0	\$1,623	\$13,854
0	1,000	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>5,825</u>	<u>0</u>	<u>10,862</u>
<u>\$52,160</u>	<u>\$45,103</u>	<u>\$89,740</u>	<u>\$5,825</u>	<u>\$1,623</u>	<u>\$24,716</u>
\$0	\$5	\$5,163	\$0	\$0	\$0
3,202	150	0	0	0	28,563
0	0	0	5,825	0	0
399	58	0	0	0	3,771
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>3,601</u>	<u>213</u>	<u>5,163</u>	<u>5,825</u>	<u>0</u>	<u>32,334</u>
915	3,688	5,809	0	1,625	430
<u>47,644</u>	<u>41,202</u>	<u>78,768</u>	<u>0</u>	<u>(2)</u>	<u>(8,048)</u>
<u>48,559</u>	<u>44,890</u>	<u>84,577</u>	<u>0</u>	<u>1,623</u>	<u>(7,618)</u>
<u>\$52,160</u>	<u>\$45,103</u>	<u>\$89,740</u>	<u>\$5,825</u>	<u>\$1,623</u>	<u>\$24,716</u>

(Continued)

Chillicothe City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Disadvantaged Pupil Impact Aid	OneNet Network	Schoolnet Training	Ohio Reads
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$0	\$179	\$2,206	\$4,178
Accounts Receivable	0	0	0	0
Intergovernmental Receivable	0	0	0	0
<i>Total Assets</i>	<u>\$0</u>	<u>\$179</u>	<u>\$2,206</u>	<u>\$4,178</u>
 Liabilities and Fund Balances:				
Liabilities				
Accounts Payable	\$0	\$0	\$0	\$0
Accrued Wages and Benefits	151,938	0	0	0
Interfund Payable	0	0	0	0
Intergovernmental Payable	20,287	0	0	0
Deferred Revenue	0	0	0	0
<i>Total Liabilities</i>	<u>172,225</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Fund Balances:				
Reserved for Encumbrances	0	179	0	4,178
Unreserved, undesignated	(172,225)	0	2,206	0
<i>Total Fund Balances</i>	<u>(172,225)</u>	<u>179</u>	<u>2,206</u>	<u>4,178</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$0</u>	<u>\$179</u>	<u>\$2,206</u>	<u>\$4,178</u>

<u>Summer Intervention Regional</u>	<u>Miscellaneous State Grant</u>	<u>Title VI-B</u>	<u>Title I</u>	<u>Title VI</u>	<u>Drug Free School</u>
\$116	\$4,764	\$6,770	\$147,187	\$700	\$5,981
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>53,406</u>	<u>209,077</u>	<u>493</u>	<u>1,410</u>
<u>\$116</u>	<u>\$4,764</u>	<u>\$60,176</u>	<u>\$356,264</u>	<u>\$1,193</u>	<u>\$7,391</u>
\$0	\$642	\$0	\$1,271	\$0	\$0
0	3,349	48,724	119,667	0	5,728
0	0	24,900	0	0	0
0	403	6,763	27,657	0	574
<u>0</u>	<u>0</u>	<u>410</u>	<u>152,500</u>	<u>493</u>	<u>1,410</u>
<u>0</u>	<u>4,394</u>	<u>80,797</u>	<u>301,095</u>	<u>493</u>	<u>7,712</u>
0	894	3,838	9,488	0	4
<u>116</u>	<u>(524)</u>	<u>(24,459)</u>	<u>45,681</u>	<u>700</u>	<u>(325)</u>
<u>116</u>	<u>370</u>	<u>(20,621)</u>	<u>55,169</u>	<u>700</u>	<u>(321)</u>
<u>\$116</u>	<u>\$4,764</u>	<u>\$60,176</u>	<u>\$356,264</u>	<u>\$1,193</u>	<u>\$7,391</u>

(Continued)

Chillicothe City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Improving Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$53,564	\$289	\$647,341
Accounts Receivable	0	0	1,581
Intergovernmental Receivable	0	9,653	352,086
<i>Total Assets</i>	\$53,564	\$9,942	\$1,001,008
 Liabilities and Fund Balances:			
Liabilities			
Accounts Payable	\$0	\$289	\$11,976
Accrued Wages and Benefits	32,525	0	503,679
Interfund Payable	0	1,931	64,101
Intergovernmental Payable	4,410	0	77,310
Deferred Revenue	0	5,314	160,127
<i>Total Liabilities</i>	36,935	7,534	817,193
 Fund Balances:			
Reserved for Encumbrances	0	0	35,417
Unreserved, undesignated	16,629	2,408	148,398
<i>Total Fund Balances</i>	16,629	2,408	183,815
<i>Total Liabilities and Fund Balances</i>	\$53,564	\$9,942	\$1,001,008

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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, 2004

	Food Service	Uniform School Supplies	Rotary
Revenues:			
Intergovernmental	\$522,258	\$0	0
Interest	824	0	0
Tuition and Fees	0	47,408	0
Extracurricular Activities	0	0	20
Gifts and Donations	0	0	0
Customer Sales and Services	549,804	0	0
Miscellaneous	11,771	0	0
<i>Total Revenues</i>	<u>1,084,657</u>	<u>47,408</u>	<u>20</u>
Expenditures:			
Current:			
Instruction:			
Regular	0	53,853	0
Special	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
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	1,200,173	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
<i>Total Expenditures</i>	<u>1,200,173</u>	<u>53,853</u>	<u>0</u>
Excess of Revenues Over/(Under) Expenditures	(115,516)	(6,445)	20
Other Financing Sources:			
Proceeds from Sale of Fixed 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>	(115,516)	(6,445)	20
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>133,608</u>	<u>(9,246)</u>	<u>296</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$18,092</u></u>	<u><u>(\$15,691)</u></u>	<u><u>\$316</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>
\$43,600	\$54,495	\$0	\$140,946	\$63,362
0	0	0	0	0
196,443	0	1,430	0	0
30,970	0	86,171	0	0
14,656	4,348	30,651	0	0
0	0	0	0	0
<u>32,381</u>	<u>0</u>	<u>14,288</u>	<u>0</u>	<u>0</u>
<u>318,050</u>	<u>58,843</u>	<u>132,540</u>	<u>140,946</u>	<u>63,362</u>
118,680	11,604	0	0	0
0	5,031	0	0	63,362
8,615	2,849	0	3,234	0
136,127	18,389	0	0	0
2,528	0	0	0	0
0	0	0	0	0
401	0	0	0	0
2	0	0	0	0
299	10,605	0	0	0
31,985	0	0	183,133	0
7,193	0	115,150	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>305,830</u>	<u>48,478</u>	<u>115,150</u>	<u>186,367</u>	<u>63,362</u>
12,220	10,365	17,390	(45,421)	0
<u>0</u>	<u>0</u>	<u>500</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>500</u>	<u>0</u>	<u>0</u>
12,220	10,365	17,890	(45,421)	0
<u>108,059</u>	<u>38,194</u>	<u>27,000</u>	<u>129,998</u>	<u>0</u>
<u>\$120,279</u>	<u>\$48,559</u>	<u>\$44,890</u>	<u>\$84,577</u>	<u>\$0</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, 2004

	Education Management Information	Truancy Prevention	Public School Preschool
Revenues:			
Intergovernmental	\$12,521	\$69	\$242,719
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>12,521</u>	<u>69</u>	<u>242,719</u>
Expenditures:			
Current:			
Instruction:			
Regular	0	0	156,450
Special	0	820	0
Support Services:			
Pupil	0	0	17,918
Instructional Staff	0	0	61,217
Administration	0	0	21,979
Fiscal	27,946	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	25,239	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
<i>Total Expenditures</i>	<u>53,185</u>	<u>820</u>	<u>257,564</u>
Excess of Revenues Over/(Under) Expenditures	(40,664)	(751)	(14,845)
Other Financing Sources:			
Proceeds from Sale of Fixed 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>	(40,664)	(751)	(14,845)
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>42,287</u>	<u>751</u>	<u>7,227</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$1,623</u></u>	<u><u>\$0</u></u>	<u><u>(\$7,618)</u></u>

Disadvantaged Pupil Impact Aid	OneNet Network	Schoolnet Training	Ohio Reads	Summer Intervention Regional
\$1,194,478	\$18,000	\$4,140	\$48,000	\$0
0	0	0	0	0
0	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>1,194,478</u>	<u>18,000</u>	<u>4,140</u>	<u>48,000</u>	<u>0</u>
1,097,228	0	0	40,428	2
0	0	0	0	0
90,242	0	0	0	0
0	0	0	6,714	347
0	0	4,257	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	5,771	0
0	0	0	0	0
0	45,661	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>1,187,470</u>	<u>45,661</u>	<u>4,257</u>	<u>52,913</u>	<u>349</u>
7,008	(27,661)	(117)	(4,913)	(349)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7,008	(27,661)	(117)	(4,913)	(349)
<u>(179,233)</u>	<u>27,840</u>	<u>2,323</u>	<u>9,091</u>	<u>465</u>
<u>(\$172,225)</u>	<u>\$179</u>	<u>\$2,206</u>	<u>\$4,178</u>	<u>\$116</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, 2004

	Miscellaneous State Grants	Title VI-B	Title I
Revenues:			
Intergovernmental	\$67,375	\$571,250	\$1,487,983
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>67,375</u>	<u>571,250</u>	<u>1,487,983</u>
Expenditures:			
Current:			
Instruction:			
Regular	0	0	0
Special	10,000	274,845	746,358
Support Services:			
Pupil	0	267,801	118,208
Instructional Staff	60,633	33,468	334,927
Administration	0	30,854	119,097
Fiscal	0	3,878	6,572
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	4,500
Central	0	0	500
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
<i>Total Expenditures</i>	<u>70,633</u>	<u>610,846</u>	<u>1,330,162</u>
Excess of Revenues Over/(Under) Expenditures	(3,258)	(39,596)	157,821
Other Financing Sources:			
Proceeds from Sale of Fixed 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>	(3,258)	(39,596)	157,821
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>3,628</u>	<u>18,975</u>	<u>(102,652)</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$370</u>	<u>(\$20,621)</u>	<u>\$55,169</u>

<u>Title VI</u>	<u>Federal Emergency Repair</u>	<u>Drug Free School</u>	<u>Improving Teacher Quality</u>
\$29,647	\$399,044	\$33,780	\$337,955
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>29,647</u>	<u>399,044</u>	<u>33,780</u>	<u>337,955</u>
0	0	0	256,332
0	0	0	0
26,611	0	29,179	0
0	0	0	51,455
0	0	0	0
0	0	0	1,987
0	0	0	0
0	0	0	0
0	0	0	0
1,401	0	507	827
0	0	0	0
0	499,044	0	0
<u>28,012</u>	<u>499,044</u>	<u>29,686</u>	<u>310,601</u>
1,635	(100,000)	4,094	27,354
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
1,635	(100,000)	4,094	27,354
<u>(935)</u>	<u>100,000</u>	<u>(4,415)</u>	<u>(10,725)</u>
<u>\$700</u>	<u>\$0</u>	<u>(\$321)</u>	<u>\$16,629</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, 2004

	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
<i>Revenues:</i>		
Intergovernmental	\$21,469	\$5,293,091
Interest	0	824
Tuition and Fees	0	245,281
Extracurricular Activities	0	117,161
Gifts and Donations	0	49,655
Customer Sales and Services	0	549,804
Miscellaneous	0	58,440
	<u>21,469</u>	<u>6,314,256</u>
<i>Expenditures:</i>		
Current:		
Instruction:		
Regular	15,100	1,749,677
Special	1,436	1,101,852
Support Services:		
Pupil	0	564,657
Instructional Staff	1,556	704,833
Administration	0	178,715
Fiscal	140	40,523
Operation and Maintenance of Plant	4,940	5,341
Pupil Transportation	0	10,273
Central	0	36,643
Operation of Non-Instructional Services	118	1,463,805
Extracurricular Activities	0	122,343
Capital Outlay	0	499,044
	<u>23,290</u>	<u>6,477,706</u>
<i>Total Expenditures</i>	<u>23,290</u>	<u>6,477,706</u>
Excess of Revenues Over/(Under) Expenditures	(1,821)	(163,450)
<i>Other Financing Sources:</i>		
Proceeds from Sale of Fixed Assets	0	500
	<u>0</u>	<u>500</u>
<i>Total Other Financing Sources</i>	<u>0</u>	<u>500</u>
<i>Net Change in Fund Balances</i>	(1,821)	(162,950)
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>4,229</u>	<u>346,765</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$2,408</u>	<u>\$183,815</u>

Chillicothe City School District
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2004

	<u>Permanent Improvement</u>	<u>Schoolnet</u>	<u>Interactive Video Distance Learning</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$660,972	\$1	\$166	\$661,139
<i>Total Assets</i>	<u>\$660,972</u>	<u>\$1</u>	<u>\$166</u>	<u>\$661,139</u>
Liabilities and Fund Balances:				
Liabilities:				
Accrued Wages and Benefits	5,063	0	0	5,063
Intergovernmental Payable	<u>2,237</u>	<u>0</u>	<u>0</u>	<u>2,237</u>
<i>Total Liabilities</i>	7,300	0	0	7,300
Fund Balances:				
Reserved for Encumbrances	192,716	0	165	192,881
Unreserved, undesignated	<u>460,956</u>	<u>1</u>	<u>1</u>	<u>460,958</u>
<i>Total Fund Balances</i>	<u>653,672</u>	<u>1</u>	<u>166</u>	<u>653,839</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$660,972</u>	<u>\$1</u>	<u>\$166</u>	<u>\$661,139</u>

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, 2004

	Permanent Improvement	Schoolnet	Interactive Video Distance Learning	Total Nonmajor Capital Projects Funds
Revenues:				
Intergovernmental	\$0	\$0	\$0	\$0
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	0	632	0	632
Support Services:				
Instructional Staff	1,656	0	7,095	8,751
Operation & Maint. Of Plant	4,342	0	0	4,342
Pupil Transportation	1,300	0	0	1,300
Capital Outlay	32	0	0	32
<i>Total Expenditures</i>	<u>7,330</u>	<u>632</u>	<u>7,095</u>	<u>15,057</u>
Excess of Revenues Over/(Under) Expenditures	(7,330)	(632)	(7,095)	(15,057)
<u>Other Financing Sources/(Uses):</u>				
Transfers - In	25,493	0	0	25,493
Proceeds from Sale of Fixed Assets	525,000	0	0	525,000
Transfers - Out	(525,000)	0	0	(525,000)
<i>Total Other Financing Sources/(Uses)</i>	<u>25,493</u>	<u>0</u>	<u>0</u>	<u>25,493</u>
<i>Net Change in Fund Balances</i>	18,163	(632)	(7,095)	10,436
<i>Fund Balances at Beginning of Year</i>	<u>635,509</u>	<u>633</u>	<u>7,261</u>	<u>643,403</u>
<i>Fund Balances at End of Year</i>	<u><u>\$653,672</u></u>	<u><u>\$1</u></u>	<u><u>\$166</u></u>	<u><u>\$653,839</u></u>

Chillicothe City School District
Balance Sheet
Nonmajor Permanent Fund
June 30, 2004

	Alumni Library
<i>Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$468,683
Accrued Interest Receivable	1,254
<i>Total Assets</i>	<i>\$469,937</i>
<i>Liabilities and Fund Balance:</i>	
<i>Fund Balance:</i>	
Reserved for Library Purposes	450,000
Undesignated - Reported in Permanent Fund	19,937
<i>Total Fund Balance</i>	<i>469,937</i>
<i>Total Liabilities and Fund Balance</i>	<i>\$469,937</i>

Chillicothe City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Permanent Fund
For the Fiscal Year Ended June 30, 2004

	<u>Alumni Library</u>
Revenues:	
Interest	<u>\$6,249</u>
<i>Total Revenues</i>	<u>6,249</u>
Expenditures:	
Current:	
Support Services:	
Instructional Staff	<u>17</u>
<i>Total Expenditures</i>	<u>17</u>
<i>Net Change in Fund Balance</i>	6,232
<i>Fund Balance at Beginning of Year</i>	<u>463,705</u>
<i>Fund Balance at End of Year</i>	<u><u>\$469,937</u></u>

**Chillicothe City School District
Fund Descriptions**

Proprietary Fund

A fund category used to account for the financing of goods or services provided by one department or agency of the District to other department or agencies on a cost-reimbursement basis. Charges are intended only to recoup the total cost of such services. A description of the District's Proprietary Internal Service Fund follows:

Self-Funded Insurance Fund

A fund provided to account for monies received from other funds as payment for providing medical run out claims and dental claims. The Employee Benefits Self-Insurance Fund may make payments for services provided to employees, for reimbursements to employees who have paid providers, to third party administrators for claim payment or administration, for stop-loss coverage or for any other reinsurance or other similar purposes.

Chillicothe City School District
Statement of Net Assets
Proprietary Fund
as of June 30, 2004

	Governmental Activities
	Internal Service Fund
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$90,143
<i>Total Assets</i>	90,143
LIABILITIES:	
Current Liabilities:	
Claims Payable	15,175
<i>Total Liabilities</i>	15,175
NET ASSETS:	
Unrestricted	\$74,968

Chillicothe City School District
Statement of Revenues, Expenses and
Changes In Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

	Governmental Activities
	Internal Service Fund
Operating Revenues:	
Charges for Services	\$437,995
<i>Total Operating Revenue</i>	437,995
Operating Expenses:	
Purchased Services	65,462
Claims Expense	157,877
<i>Total Operating Expenses</i>	223,339
Change in Net Assets	214,656
Net Assets (Deficit)	(139,688)
Net Assets at End of Year	\$74,968

Chillicothe City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

	<u>Governmental Activities Internal Service Fund</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Transaction with Other Funds	\$437,995
Cash Payments to Suppliers for Services	(65,462)
Cash Payments for Claims	<u>(473,216)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(100,683)</u>
Cash and Cash Equivalents at Beginning of Year	<u>190,826</u>
Cash and Cash Equivalents at End of Year	<u><u>\$90,143</u></u>
<i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i>	
Operating Income	\$214,656
<i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	<u>(315,339)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>(\$100,683)</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, 2004

	<u>Balance 07/01/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/04</u>
DISTRICT AGENCY FUND				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$12,380</u>	<u>\$1,722</u>	<u>\$879</u>	<u>\$13,223</u>
Total Assets	<u>12,380</u>	<u>1,722</u>	<u>879</u>	<u>13,223</u>
Liabilities				
Undistributed Monies	<u>12,380</u>	<u>1,722</u>	<u>879</u>	<u>13,223</u>
Total Liabilities	<u>\$12,380</u>	<u>\$1,722</u>	<u>\$879</u>	<u>\$13,223</u>
STUDENT MANAGED ACTIVITIES				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$63,353</u>	<u>\$174,131</u>	<u>\$175,342</u>	<u>\$62,142</u>
Total Assets	<u>\$63,353</u>	<u>\$174,131</u>	<u>\$175,342</u>	<u>\$62,142</u>
Liabilities				
Due to Students	<u>63,353</u>	<u>174,131</u>	<u>175,342</u>	<u>62,142</u>
Total Liabilities	<u>\$63,353</u>	<u>\$174,131</u>	<u>\$175,342</u>	<u>\$62,142</u>
TOTAL AGENCY FUNDS				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$75,733</u>	<u>\$175,853</u>	<u>\$176,221</u>	<u>\$75,365</u>
Total Assets	<u>\$75,733</u>	<u>\$175,853</u>	<u>\$176,221</u>	<u>\$75,365</u>
Liabilities				
Undistributed Monies	12,380	1,722	879	13,223
Due to Students	<u>63,353</u>	<u>174,131</u>	<u>175,342</u>	<u>62,142</u>
Total Liabilities	<u>\$75,733</u>	<u>\$175,853</u>	<u>\$176,221</u>	<u>\$75,365</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Construction Fund				
Total Revenues and Other Sources	\$34,008,408	\$34,008,408	\$34,008,408	\$0
Total Expenditures and Other Uses	<u>34,008,408</u>	<u>34,008,408</u>	<u>38,000</u>	<u>33,970,408</u>
Net Change in Fund Balance	0	0	33,970,408	33,970,408
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>\$33,970,408</u></u>	<u><u>\$33,970,408</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Food Service				
Total Revenues and Other Sources	\$1,213,800	\$1,259,850	\$1,023,310	(\$236,540)
Total Expenditures and Other Uses	<u>1,396,908</u>	<u>1,442,958</u>	<u>1,136,733</u>	<u>306,225</u>
Net Change in Fund Balance	(183,108)	(183,108)	(113,423)	69,685
Fund Balance, July 1	148,214	148,214	148,214	0
Prior Year Encumbrances Appropriated	<u>34,894</u>	<u>34,894</u>	<u>34,894</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$69,685</u></u>	<u><u>\$69,685</u></u>
Uniform School Supplies				
Total Revenues and Other Sources	\$108,054	\$144,437	\$78,053	(\$66,384)
Total Expenditures and Other Uses	<u>116,021</u>	<u>152,405</u>	<u>71,515</u>	<u>80,890</u>
Net Change in Fund Balance	(7,967)	(7,968)	6,538	14,506
Fund Balance, July 1	7,968	7,968	7,968	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$1</u></u>	<u><u>\$0</u></u>	<u><u>\$14,506</u></u>	<u><u>\$14,506</u></u>
Rotary Fund				
Total Revenues and Other Sources	\$0	\$190	\$20	(\$170)
Total Expenditures and Other Uses	<u>298</u>	<u>488</u>	<u>0</u>	<u>488</u>
Net Change in Fund Balance	(298)	(298)	20	318
Fund Balance, July 1	<u>298</u>	<u>298</u>	<u>298</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$318</u></u>	<u><u>\$318</u></u>

(Continued)

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public School Support				
Total Revenues and Other Sources	\$333,278	\$406,710	\$326,681	(\$80,029)
Total Expenditures and Other Uses	442,879	516,310	309,826	206,484
Net Change in Fund Balance	(109,601)	(109,600)	16,855	126,455
Fund Balance, July 1	103,942	103,942	103,942	0
Prior Year Encumbrances Appropriated	5,659	5,659	5,659	0
Fund Balance, June 30	<u>\$0</u>	<u>\$1</u>	<u>\$126,456</u>	<u>\$126,455</u>
Other Grants Fund				
Total Revenues and Other Sources	\$28,820	\$62,820	\$58,843	(\$3,977)
Total Expenditures and Other Uses	71,130	105,130	49,909	55,221
Net Change in Fund Balance	(42,310)	(42,310)	8,934	51,244
Fund Balance, July 1	42,276	42,276	42,276	0
Prior Year Encumbrances Appropriated	35	35	35	0
Fund Balance, June 30	<u>\$1</u>	<u>\$1</u>	<u>\$51,245</u>	<u>\$51,244</u>
District Managed Activities				
Total Revenues and Other Sources	\$138,550	\$161,454	\$132,040	(\$29,414)
Total Expenditures and Other Uses	165,859	188,764	118,934	69,830
Net Change in Fund Balance	(27,309)	(27,310)	13,106	40,416
Fund Balance, July 1	26,564	26,564	26,564	0
Prior Year Encumbrances Appropriated	746	746	746	0
Fund Balance, June 30	<u>\$1</u>	<u>\$0</u>	<u>\$40,416</u>	<u>\$40,416</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Auxiliary Service				
Total Revenues and Other Sources	\$157,508	\$140,946	\$140,946	\$0
Total Expenditures and Other Uses	311,360	294,798	216,033	78,765
Net Change in Fund Balance	(153,852)	(153,852)	(75,087)	78,765
Fund Balance, July 1	1,043	1,043	1,043	0
Prior Year Encumbrances Appropriated	152,809	152,809	152,809	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$78,765</u>	<u>\$78,765</u>
Teacher Development				
Total Revenues and Other Sources	\$63,362	\$63,362	\$63,362	\$0
Total Expenditures and Other Uses	63,362	63,362	63,362	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>
Education Management Information				
Total Revenues and Other Sources	\$12,000	\$12,000	\$12,521	\$521
Total Expenditures and Other Uses	54,288	54,288	54,809	(521)
Net Change in Fund Balance	(42,288)	(42,288)	(42,288)	0
Fund Balance, July 1	42,288	42,288	42,288	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>

(Continued)

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Truancy Prevention				
Total Revenues and Other Sources	\$69	\$69	\$69	\$0
Total Expenditures and Other Uses	<u>820</u>	<u>820</u>	<u>820</u>	<u>0</u>
Net Change in Fund Balance	(751)	(751)	(751)	0
Fund Balance, July 1	751	751	751	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>
Public School Preschool				
Total Revenues and Other Sources	\$242,719	\$242,719	\$231,857	(\$10,862)
Total Expenditures and Other Uses	<u>273,113</u>	<u>273,109</u>	<u>248,828</u>	<u>24,281</u>
Net Change in Fund Balance	(30,394)	(30,390)	(16,971)	13,419
Fund Balance, July 1	29,112	29,112	29,112	0
Prior Year Encumbrances Appropriated	<u>1,282</u>	<u>1,282</u>	<u>1,282</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$4</u></u>	<u><u>\$13,423</u></u>	<u><u>\$13,419</u></u>
Disadvantaged Pupil Impact Aid				
Total Revenues and Other Sources	\$1,194,478	\$1,194,478	\$1,194,478	\$0
Total Expenditures and Other Uses	<u>1,194,478</u>	<u>1,194,478</u>	<u>1,194,478</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>

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
OneNet Network				
Total Revenues and Other Sources	\$18,000	\$18,000	\$18,000	\$0
Total Expenditures and Other Uses	45,840	45,840	45,840	0
Net Change in Fund Balance	(27,840)	(27,840)	(27,840)	0
Fund Balance, July 1	13,499	13,499	13,499	0
Prior Year Encumbrances Appropriated	14,341	14,341	14,341	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Schoolnet Training				
Total Revenues and Other Sources	\$4,140	\$4,140	\$4,140	\$0
Total Expenditures and Other Uses	6,864	6,864	4,657	2,207
Net Change in Fund Balance	(2,724)	(2,724)	(517)	2,207
Fund Balance, July 1	2,324	2,324	2,324	0
Prior Year Encumbrances Appropriated	400	400	400	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$2,207</u>	<u>\$2,207</u>
Ohio Reads				
Total Revenues and Other Sources	\$39,500	\$50,000	\$48,000	(\$2,000)
Total Expenditures and Other Uses	51,605	62,105	60,105	2,000
Net Change in Fund Balance	(12,105)	(12,105)	(12,105)	0
Fund Balance, July 1	69	69	69	0
Prior Year Encumbrances Appropriated	12,036	12,036	12,036	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(Continued)

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Summer Intervention Regional				
Total Revenues and Other Sources	\$0	\$0	\$0	\$0
Total Expenditures and Other Uses	465	465	349	116
Net Change in Fund Balance	(465)	(465)	(349)	116
Fund Balance, July 1	465	465	465	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$116</u>	<u>\$116</u>
Misc. State Grant				
Total Revenues and Other Sources	\$130,737	\$67,375	\$67,375	\$0
Total Expenditures and Other Uses	137,113	73,751	70,521	3,230
Net Change in Fund Balance	(6,376)	(6,376)	(3,146)	3,230
Fund Balance, July 1	3,734	3,734	3,734	0
Prior Year Encumbrances Appropriated	2,642	2,642	2,642	0
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$3,230</u>	<u>\$3,230</u>
Title VI-B				
Total Revenues and Other Sources	\$599,093	\$599,093	\$545,687	(\$53,406)
Total Expenditures and Other Uses	661,975	661,972	605,637	56,335
Net Change in Fund Balance	(62882)	(62879)	(59950)	2929
Fund Balance, July 1	62,466	62,466	62,466	0
Prior Year Encumbrances Appropriated	416	416	416	0
Fund Balance, June 30	<u>\$0</u>	<u>\$3</u>	<u>\$2,932</u>	<u>\$2,929</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget: Positive (Negative)
Title I				
Total Revenues and Other Sources	\$1,716,553	\$1,710,230	\$1,431,406	(\$278,824)
Total Expenditures and Other Uses	<u>1,755,421</u>	<u>1,749,098</u>	<u>1,333,839</u>	<u>415,259</u>
Net Change in Fund Balance	(38,868)	(38,868)	97,567	136,435
Fund Balance, July 1	15,188	15,188	15,188	0
Prior Year Encumbrances Appropriated	<u>23,680</u>	<u>23,680</u>	<u>23,680</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$136,435</u></u>	<u><u>\$136,435</u></u>
Title VI				
Total Revenues and Other Sources	\$30,161	\$30,161	\$29,647	(\$514)
Total Expenditures and Other Uses	<u>30,734</u>	<u>30,735</u>	<u>29,521</u>	<u>1,214</u>
Net Change in Fund Balance	(573)	(574)	126	700
Fund Balance, July 1	(2,672)	(2,672)	(2,672)	0
Prior Year Encumbrances Appropriated	<u>3,246</u>	<u>3,246</u>	<u>3,246</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$1</u></u>	<u><u>\$0</u></u>	<u><u>\$700</u></u>	<u><u>\$700</u></u>
Federal Emergency Repair				
Total Revenues and Other Sources	\$450,000	\$450,000	\$449,044	(\$956)
Total Expenditures and Other Uses	<u>500,000</u>	<u>500,000</u>	<u>499,044</u>	<u>956</u>
Net Change in Fund Balance	(50,000)	(50,000)	(50,000)	0
Fund Balance, July 1	50,000	50,000	50,000	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>

(Continued)

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Drug Free School				
Total Revenues and Other Sources	\$35,200	\$35,242	\$33,780	(\$1,462)
Total Expenditures and Other Uses	<u>35,251</u>	<u>35,291</u>	<u>27,853</u>	<u>7,438</u>
Net Change in Fund Balance	(51)	(49)	5,927	5,976
Fund Balance, July 1	0	0	0	0
Prior Year Encumbrances Appropriated	<u>51</u>	<u>51</u>	<u>51</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$2</u></u>	<u><u>\$5,978</u></u>	<u><u>\$5,976</u></u>
Improving Teacher Quality				
Total Revenues and Other Sources	\$338,229	\$337,955	\$337,955	\$0
Total Expenditures and Other Uses	<u>366,392</u>	<u>366,116</u>	<u>312,554</u>	<u>53,562</u>
Net Change in Fund Balance	(28,163)	(28,161)	25,401	53,562
Fund Balance, July 1	20,932	20,932	20,932	0
Prior Year Encumbrances Appropriated	<u>7,231</u>	<u>7,231</u>	<u>7,231</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$2</u></u>	<u><u>\$53,564</u></u>	<u><u>\$53,562</u></u>
Misc. Federal Grant				
Total Revenues and Other Sources	\$21,382	\$27,112	\$19,061	(\$8,051)
Total Expenditures and Other Uses	<u>32,981</u>	<u>38,711</u>	<u>30,660</u>	<u>8,051</u>
Net Change in Fund Balance	(11,599)	(11,599)	(11,599)	0
Fund Balance, July 1	9,935	9,935	9,935	0
Prior Year Encumbrances Appropriated	<u>1,664</u>	<u>1,664</u>	<u>1,664</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>

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, 2004

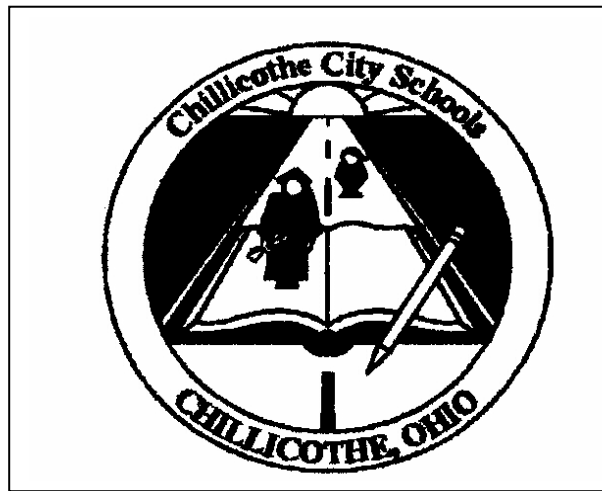
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Permanent Improvement				
Total Revenues and Other Sources	\$0	\$550,493	\$550,493	\$0
Total Expenditures and Other Uses	<u>635,510</u>	<u>1,186,003</u>	<u>717,748</u>	<u>468,255</u>
Net Change in Fund Balance	(635,510)	(635,510)	(167,255)	468,255
Fund Balance, July 1	635,510	635,510	635,510	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>\$468,255</u></u>	<u><u>\$468,255</u></u>
Schoolnet				
Total Revenues and Other Sources	\$0	\$0	\$0	\$0
Total Expenditures and Other Uses	<u>632</u>	<u>632</u>	<u>632</u>	<u>0</u>
Net Change in Fund Balance	(632)	(632)	(632)	0
Fund Balance, July 1	632	632	632	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>
Interactive Video Learning				
Total Revenues and Other Sources	\$0	\$0	\$0	\$0
Total Expenditures and Other Uses	<u>7,261</u>	<u>7,260</u>	<u>7,260</u>	<u>0</u>
Net Change in Fund Balance	(7,261)	(7,260)	(7,260)	0
Fund Balance, July 1	6,061	6,061	6,061	0
Prior Year Encumbrances Appropriated	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$0</u></u>	<u><u>\$1</u></u>	<u><u>\$1</u></u>	<u><u>\$0</u></u>

(Continued)

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Alumni Library				
Total Revenues and Other Sources	\$9,000	\$9,000	\$5,734	(\$3,266)
Total Expenditures and Other Uses	21,966	21,966	17	21,949
Net Change in Fund Balance	(12,966)	(12,966)	5,717	18,683
Fund Balance, July 1	462,966	462,966	462,966	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance, June 30	<u>\$450,000</u>	<u>\$450,000</u>	<u>\$468,683</u>	<u>\$18,683</u>
Employee Self Insurance				
Total Revenues and Other Sources	\$441,000	\$460,806	\$437,995	(\$22,811)
Total Expenditures and Other Uses	631,825	651,632	538,678	112,954
Net Change in Fund Balance	(190,825)	(190,826)	(100,683)	90,143
Fund Balance, July 1	175,922	175,922	175,922	0
Prior Year Encumbrances Appropriated	14,904	14,904	14,904	0
Fund Balance, June 30	<u>\$1</u>	<u>\$0</u>	<u>\$90,143</u>	<u>\$90,143</u>

CHILlicothe CITY SCHOOL DISTRICT



STATISTICAL SECTION

CHILLICOTHE CITY SCHOOL DISTRICT
Governmental Activities Expenses by Function (1)
Last Two Fiscal Years

Table 1

<u>Fiscal Year (2)</u>	<u>2004</u>	<u>2003</u>
Instruction		
Regular	\$12,621,430	\$12,163,589
Special	3,046,814	3,256,889
Vocational	4,067	9,408
Adult/Continuing	0	3,872
Other Instruction	177,316	169,954
	<hr/>	<hr/>
Total Instruction	15,849,627	15,603,712
	<hr/>	<hr/>
Support Services		
Pupils	1,709,709	1,576,558
Instructional Staff	1,742,420	1,966,112
Board of Education	59,859	31,750
Administration	2,061,528	2,503,066
Business & Fiscal	891,206	672,017
Operation of Maintenance of Plant	2,509,503	2,510,074
Pupil Transportation	865,188	955,208
Central	130,946	143,477
	<hr/>	<hr/>
Total Support Services	9,970,359	10,358,262
	<hr/>	<hr/>
Operation of Non-Instructional Services	1,601,095	1,733,371
Extracurricular Activities	595,741	579,848
Debt Service:		
Interest & Fiscal Charges	491,345	101,528
	<hr/>	<hr/>
Total Expenditures	<u>\$28,508,167</u>	<u>\$28,376,721</u>

Source: School District Financial Records

(1) Includes all governmental activities.

(2) Fiscal Year 2003 is the first year reported in accordance with GASB Statement No. 34

Table 2

CHILLICOTHE CITY SCHOOL DISTRICT
Governmental Activities Revenue by Source (1)
Last Two Fiscal Years

<u>Fiscal Year (2)</u>	<u>2004</u>	<u>2003</u>
Program Revenues		
Charges for Services	\$1,890,724	\$2,195,250
Operating Grants and Contributions	5,451,727	5,585,951
Capital Grants and Contributions	0	500,000
General Revenues		
Property Taxes	12,197,565	11,974,340
Intergovernmental	6,545,788	6,733,797
Investment Earnings	171,276	116,855
Gain on Sale of Capital Assets	155,945	0
Gifts and Donations	26,833	0
Miscellaneous	201,561	188,866
Total Revenues	<u>\$26,641,419</u>	<u>\$27,295,059</u>

Source: School District Financial Records

(1) Includes all governmental activities

(2) Fiscal Year 2003 is the first year reported in accordance with GASB Statement No. 34

Table 3

CHILlicothe CITY SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Collection Years	Current Tax Levied (1)	Current Taxes Collected (1)	Percent of Current Levy Collected	Delinquent Tax Collections	Total Tax Collections (1)	Total Tax Collections to Taxes Levied	Outstanding Delinquent Taxes	Percent Of Delinquent Taxes to Current Levied
1995	\$11,600,156	\$11,469,912	98.88%	\$212,790	\$11,682,702	100.71%	\$404,972	3.49%
1996	11,904,465	11,690,690	98.20%	181,111	11,871,801	99.73%	430,370	3.62%
1997	12,325,308	12,083,548	98.04%	201,321	12,284,869	99.67%	501,418	4.07%
1998	12,166,414	11,949,768	98.22%	280,378	12,230,146	100.52%	474,602	3.90%
1999	13,067,744	12,889,906	98.64%	175,828	13,065,734	99.98%	527,391	4.04%
2000	12,684,857	12,494,811	98.50%	208,017	12,702,828	100.14%	475,812	3.75%
2001	12,632,642	12,456,295	98.60%	272,722	12,729,017	100.76%	517,708	4.10%
2002	12,547,558	12,226,466	97.44%	186,907	12,413,373	98.93%	457,488	3.65%
2003	13,077,318	12,841,127	98.19%	242,376	13,083,503	100.05%	554,731	4.24%
2004	11,590,767	11,140,708	96.12%	274,920	11,415,628	98.49%	739,936	6.38%

Note: The information above is for real estate, public utilities and tangible personal property collections and levies.

Source: Office of the County Auditor, Ross County, Ohio - Data is presented on a calendar year basis.

(1) Includes Homestead/Rollback on real estate and reimbursement on personal property taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.

Table 4

CHILLICOTHE CITY SCHOOL DISTRICT
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Collection Years	Real Property			Personal Property			Public Utility			Total	
	%	Assessed Value	Estimated Actual Value	%	Assessed Value	Estimated Actual Value	%	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1995	35%	\$209,036,130	\$597,246,086	25%	\$117,831,469	\$471,325,876	88%	\$29,535,150	\$33,562,670	\$356,402,749	\$1,102,134,632
1996	35%	245,488,730	701,396,371	25%	120,842,390	483,369,560	88%	28,382,770	32,253,148	394,713,890	1,217,019,079
1997	35%	249,142,990	711,837,114	25%	123,131,670	492,526,680	88%	27,824,440	31,618,682	400,099,100	1,235,982,476
1998	35%	253,203,920	723,439,771	25%	135,195,900	540,783,600	88%	28,225,730	32,074,693	416,625,550	1,296,298,065
1999	35%	283,825,300	810,929,429	25%	129,782,920	519,131,680	88%	29,991,920	34,081,727	443,600,140	1,364,142,836
2000	35%	285,593,080	815,980,229	25%	133,870,322	535,481,288	88%	28,519,710	32,408,761	447,983,112	1,383,870,278
2001	35%	287,143,700	820,410,571	25%	138,865,100	555,460,400	88%	30,062,090	34,161,466	456,070,890	1,410,032,437
2002	35%	322,526,210	921,503,457	25%	135,568,200	542,272,800	88%	26,393,230	29,992,307	484,487,640	1,493,768,564
2003	35%	324,741,110	927,831,743	25%	125,725,980	502,903,920	88%	28,059,280	31,885,545	478,526,370	1,462,621,208
2004	35%	328,091,340	937,403,829	25%	136,938,100	547,752,400	88%	24,417,050	27,746,648	489,446,490	1,512,902,876

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

Table 5-A

CHILLICOTHE CITY SCHOOL DISTRICT
Property Tax Rates - Direct and Overlapping Governments
Last Ten Years
Scioto Township (#240)
(per \$1,000 of Assessed Valuation)

Calendar Year	Chillicothe City School District	Ross County	Pickaway-Ross Joint Vocational School	Scioto Township	Total Rate	Total Residential/Agriculture Effective Rate	Total Commercial/Industrial Effective Rate
1995	\$38.40	\$9.40	\$3.20	\$5.50	\$56.50	\$43.309129	\$43.245444
1996	38.40	10.90	3.20	5.50	58.00	40.568385	42.635527
1997	38.10	9.40	3.20	5.50	56.20	38.743310	41.148480
1998	37.90	9.40	3.20	5.50	56.00	38.438979	41.375275
1999	37.80	9.40	3.20	5.50	55.90	34.448716	40.649165
2000	37.74	9.40	3.20	5.50	55.84	34.326336	40.536121
2001	37.70	9.40	3.20	5.50	55.80	34.230760	40.544731
2002	37.70	9.40	3.20	5.50	55.80	32.654803	37.885521
2003	37.70	9.40	3.20	5.50	55.80	33.814766	38.582284
2004	37.70	9.80	3.20	5.50	56.20	35.253409	39.597961

Note: The Chillicothe City School District consists of two taxing Districts:
 - Scioto Township - Chillicothe City School District #240
 - Scioto Township - Chillicothe City School District - City of Chillicothe #270

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

Table 5-B

CHILlicothe CITY SCHOOL DISTRICT
Property Tax Rates - Direct and Overlapping Governments
Last Ten Years
Scioto Township - City of Chillicothe (#270)
(per \$1,000 of Assessed Valuation)

Calendar Year	Chillicothe City School District	City Of Chillicothe	Ross County	Pickaway-Ross Joint Vocational School	Scioto Township	Total Rate	Total	
							Residential/Agriculture Effective Rate	Commercial/Industrial Effective Rate
1995	\$38.40	3.20	9.40	\$3.20	\$0.60	\$54.80	\$42,664,796	\$42,537,624
1996	38.40	3.20	10.90	3.20	0.60	56.30	39,408,810	41,554,979
1997	38.10	3.20	9.40	3.20	0.60	54.50	37,587,836	39,879,800
1998	37.90	3.20	9.40	3.20	0.60	54.30	37,284,261	39,944,173
1999	37.80	3.20	9.40	3.20	0.60	54.20	33,625,485	39,311,116
2000	37.74	3.20	9.40	3.20	0.60	54.14	33,503,698	39,193,128
2001	37.70	3.20	9.40	3.20	0.60	54.10	33,408,985	39,208,522
2002	37.70	3.20	9.40	3.20	0.60	54.10	32,081,234	36,848,467
2003	37.70	3.20	9.40	3.20	0.60	54.10	33,240,705	37,572,032
2004	37.70	3.20	9.40	3.20	0.60	54.10	33,240,705	37,572,032

Note: The Chillicothe City School District consists of two taxing Districts:
 - Scioto Township - Chillicothe City School District #240
 - Scioto Township - Chillicothe City School District - City of Chillicothe #270

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

Table 6

CHILLICOTHE CITY SCHOOL DISTRICT
Principal Property Taxpayers
2003 Tax Year

	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
<u>Public Utilities</u>		
(1) Horizon Telcom, Inc.	\$10,821,120	2.21%
(2) Columbus Southern Power	10,540,270	2.15%
(3) Columbia Gas of Ohio, Inc.	1,376,600	0.28%
(4) Norfolk Southern Combined Railroad Subsidiaries	679,700	0.14%
(5) Sprint Communications	290,210	0.06%
<u>Real Estate</u>		
(1) Mead Corporation	26,727,800	5.46%
(2) DDR Ohio Opportunity II LLC	3,475,760	0.71%
(3) Chillicothe Mall Inc.	3,312,040	0.68%
(4) Central Center LTD	2,668,370	0.55%
(5) Real Estate Finance Trust	2,259,030	0.46%
(6) RG Chillicothe Associates LTD	1,602,880	0.33%
(7) Rodney Winegardner	1,554,530	0.32%
(8) Zane Plaza LLC	1,533,410	0.31%
(9) Western View Apartments	1,411,180	0.29%
(10) Shawnee Group LTD Partnership	1,225,000	0.25%
<u>Tangible Personal Property</u>		
(1) Mead Corporation	82,528,570	16.86%
(2) BLC Corporation	1,757,120	0.36%
(3) Adelpia	1,610,150	0.33%
(4) Lowe's Home Centers, Inc.	1,534,650	0.31%
(5) Ricart	1,327,170	0.27%
(6) Kmart Corp.	1,271,250	0.26%
(7) Wal-Mart Stores East Inc.	1,245,050	0.25%
(8) Kroger's	1,113,640	0.23%
(9) QNP Holding Inc.	998,690	0.20%
(10) Union Spring & Mfg Corporation	899,830	0.19%
ALL OTHERS	<u>325,682,470</u>	<u>66.54%</u>
TOTAL ASSESSED VALUATION	<u><u>\$489,446,490</u></u>	<u><u>100.00%</u></u>

Note: Tax collections for fiscal year 2004 are based on assessed values from 2003 tax year.

Source: Office of the County Auditor
 Ross County, Ohio

Table 7

CHILLICOTHE CITY SCHOOL DISTRICT
Legal Debt Margin
June 30, 2004

Total assessed valuation		\$489,446,490
Overall debt limitation - 9.0% of assessed valuation (1)		<u>44,050,184</u>
Gross indebtedness authorized by the School Board	<u>\$1,625,000</u>	
Less debt outside limitation:	<u>1,625,000</u>	
Debt within 9.0% limitation	0	
Less amount available in debt service fund	<u>0</u>	
Net debt within 9.0% limitation		<u>0</u>
Legal debt margin within 9.0% limitation		<u><u>\$44,050,184</u></u>
<hr style="border: 1px solid black;"/>		
Energy Conservation Debt Limit - .90% of assessed value (1)		\$4,405,018
Net debt within .90% limitation		<u>(1,625,000)</u>
Energy Conservation Debt Margin		<u><u>\$2,780,018</u></u>
<hr style="border: 1px solid black;"/>		
Unvoted debt limitation - .10% of assessed valuation (1)		\$489,446
Net debt within .10% limitation		<u>0</u>
Legal debt margin within .10% limitation		<u><u>\$489,446</u></u>

(1) Ohio Bond Law sets a limit of 9% for voted debt, .90% for energy conservation measures and .10% for unvoted debt.

Table 8

CHILLICOTHE CITY SCHOOL DISTRICT
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Debt Per Capita
Last Ten Years

Fiscal Year	Estimated Population (1)	Assessed Value Real & Personal Property (2)	General Bonded Debt (3)	Less Debt Service (3)	Net Bonded Debt	Ratio Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1995 (b)	22,176	\$356,402,749	\$1,366,000	\$790,241	\$575,759	0.16%	\$26
1996 (a)	22,176	394,713,890	990,000	171,641	818,359	0.21%	37
1997 (a)	22,176	400,099,100	614,000	0	614,000	0.15%	28
1998 (a)	22,176	416,625,550	463,000	0	463,000	0.11%	21
1999 (a)	22,726	443,600,140	312,000	0	312,000	0.07%	14
2000 (a)	22,726	447,983,112	161,000	0	161,000	0.04%	7
2001 (a)	22,041	456,070,890	0	0	0	0.00%	0
2002 (a)	22,041	484,487,640	0	0	0	0.00%	0
2003 (a)	21,796	478,526,370	0	0	0	0.00%	0
2004 (a)	21,796	489,446,490	0	0	0	0.00%	0

Sources:

- (1) Office of the City Auditor, Chillicothe, Ohio
- (2) Office of the County Auditor, Ross County, Ohio
- (3) Includes all general obligation bonded debt supported by property taxes. Energy conservation notes are excluded.
- (a) GAAP Basis Data
- (b) Cash Basis Data

Table 9

CHILLICOTHE CITY SCHOOL DISTRICT
Ratio of Annual General Obligation Bonded Debt Service Expenditures
To Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal (1)	Interest (1)	Total Debt Service	Total General Fund Expenditures	Percent of Debt Service to General Fund Expenditures
1995 (b)	\$1,292,000	\$58,233	\$1,350,233	\$17,469,836	7.73%
1996 (a)	1,141,000	56,924	1,197,924	16,741,915	7.16%
1997 (a)	990,000	36,430	1,026,430	17,519,290	5.86%
1998 (a)	614,000	26,095	640,095	18,767,232	3.41%
1999 (a)	463,000	20,372	483,372	18,711,411	2.58%
2000 (a)	312,000	9,421	321,421	19,692,918	1.63%
2001 (a)	161,000	7,197	168,197	19,901,483	0.85%
2002 (a)	0	0	0	20,958,403	0.00%
2003 (a)	0	0	0	21,780,064	0.00%
2004 (a)	0	0	0	21,179,486	0.00%

Source: School District Financial Records

(1) Includes principal and interest for all general obligation bonded debt supported by property taxes. Energy conservation notes are excluded.

(a) GAAP Basis Data

(b) Cash Basis Data

Table 10

CHILLICOTHE CITY SCHOOL DISTRICT
Computation of Direct and Overlapping Debt
June 30, 2004

	<u>General Obligation Debt (1)</u>	<u>Percent Overlapping</u>	<u>Applicable To Chillicothe City School District</u>
Direct Debt:			
Chillicothe City School District	\$1,625,000	100.00%	\$1,625,000
Overlapping Debt:			
Ross County	13,408,750	45.21%	6,062,096
City of Chillicothe	2,405,000	94.06%	2,262,143
Subtotal - Overlapping Debt			<u>8,324,239</u>
Total Direct and Overlapping Debt			<u><u>\$9,949,239</u></u>

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

(1) General obligation debt includes general obligation bonds and energy conservation notes.

Table 11

CHILLICOTHE CITY SCHOOL DISTRICT
New Construction, Property Value and Bank Deposits
Last Ten Fiscal Years

Year	Residential		Commercial		Total Value New Construction	Real Property	Tangible Personal		Assessed Value Property Values (2)		Total	Bank Deposits (3)
	Number of Permits (1)	Value (2)	Number of Permits (1)	Value (2)			Public Utility	Personal	Public Utility	Personal		
1995	41	\$1,145,700	121	\$590,190	\$1,735,890	\$209,036,130	\$117,831,469	\$29,535,150	\$356,402,749	\$156,118,000		
1996	25	2,805,670	119	2,681,680	5,487,350	245,488,730	120,842,390	28,382,770	394,713,890	165,364,000		
1997	18	1,881,030	119	3,454,220	5,335,250	249,142,990	123,131,670	27,824,440	400,099,100	172,794,000		
1998	20	1,359,320	109	2,959,150	4,318,470	253,203,920	135,195,900	28,225,730	416,625,550	185,378,000		
1999	14	1,482,980	94	2,245,760	3,728,740	283,825,300	129,782,920	29,991,920	443,600,140	198,526,000		
2000	27	1,941,810	152	1,299,930	3,241,740	285,593,080	133,870,322	28,519,710	447,983,112	208,502,000		
2001	38	1,150,330	258	1,352,980	2,503,310	287,143,700	138,865,100	30,062,090	456,070,890	219,907,000		
2002	12	1,226,570	194	759,300	1,985,870	322,526,210	135,568,200	26,393,230	484,487,640	238,186,000		
2003	28	1,914,750	237	736,350	2,651,100	324,741,110	125,725,980	28,059,280	478,526,370	254,517,000		
2004	13	1,333,160	233	1,634,690	2,967,850	328,091,340	136,938,100	24,417,050	489,446,490	259,459,000		

Note: Public Utility Real Estate values are included in Real Property Values

Sources:

- (1) Office of the City Building Department, Chillicothe, Ohio
- (2) Office of the County Auditor, Ross County, Ohio
- (3) Federal Reserve Bank of Cleveland

Table 12

CHILLICOTHE CITY SCHOOL DISTRICT
Cost to Educate a 2003 Graduate

<u>School Year Ended</u>	<u>Grade</u>	<u>Chillicothe Annual Per Pupil Cost</u>	<u>State Average</u>
1991	Kindergarten	\$1,834	\$2,187
1992	1st	3,482	4,619
1993	2nd	4,728	4,815
1994	3rd	5,292	5,010
1995	4th	5,171	5,151
1996	5th	5,324	5,328
1997	6th	5,781	5,939
1998	7th	6,136	6,232
1999	8th	6,101	6,642
2000	9th	6,510	7,057
2001	10th	6,560	7,602
2002	11th	7,200	8,073
2003	12th	7,373	8,435
Total Cost		<u>\$71,492</u>	<u>\$77,090</u>

Note: Annual per pupil cost for all years except Kindergarten where the amount is one-half of the annual per pupil cost.

Source: State of Ohio Department of Education - Total Current Expenditures Per Pupil - All Funds

Table 13

CHILLICOTHE CITY SCHOOL DISTRICT
Average Daily Membership (ADM) Data
Last Ten Fiscal Years

<i>School Year Ended</i>	<i>Number of Graduates</i>	<i>Enrollment</i>	<i>Percentage Enrollment Increase (Decrease)</i>
1995	273	3,924	(1.76%)
1996	272	3,870	(1.40%)
1997	280	3,727	(3.84%)
1998	263	3,714	(0.35%)
1999	267	3,758	1.17%
2000	253	3,683	(2.04%)
2001	263	3,753	1.87%
2002	280	3,680	(1.98)%
2003	260	3,564	(3.25)%
2004	269	3,387	(5.63)%

Source: State of Ohio Department of Education - EMIS

Table 14

CHILICOTHE CITY SCHOOL DISTRICT
Staffing Statistics - Full Time Equivalents (FTE)

	<u>1999-00</u> <i>Actual</i>	<u>2000-01</u> <i>Actual</i>	<u>2001-02</u> <i>Actual</i>	<u>2002-03</u> <i>Actual</i>	<u>2003-04</u> <i>Actual</i>	<u>2004-05</u> <i>Estimate</i>
Professional Staff:						
Teaching Staff:						
Elementary	86.3	87.3	89.3	80.0	75.9	77.9
Middle	44.6	39.4	39.2	39.1	30.2	30.4
High	52.1	47.3	46.4	40.8	42.4	40.7
Chapter I	16.0	14.5	17.5	15.5	13.0	14.2
Other Funds	10.0	13.1	8.0	11.5	12.8	15.4
Administrators:						
District	17.0	15.4	17.1	16.6	13.1	13.6
Auxiliary Positions:						
Psychologists	2.0	2.0	2.0	2.0	2.0	1.5
Nurses	2.0	2.0	2.0	2.0	2.0	2.0
Special Education	28.8	27.3	29.8	28.3	25.8	22.8
Librarians / Audio Visual	4.0	4.0	3.0	3.0	3.0	2.0
Guidance	6.0	6.0	6.5	5.6	4.0	4.0
Total Professional Staff	268.8	258.3	260.8	244.3	224.1	224.3
Support Staff:						
Secretarial	23.0	24.0	23.2	24.1	22.6	22.1
Aides / Monitors	27.6	27.6	34.1	20.7	20.2	21.2
Technical	9.4	9.4	9.4	8.0	6.5	5.4
Custodial	28.5	25.5	27.5	25.5	20.0	18.0
Maintenance	9.0	9.0	9.0	8.0	8.0	4.0
Transportation	20.5	21.5	22.5	22.5	19.0	18.0
Lunchroom	28.9	28.9	28.9	29.5	25.4	24.4
Permanent Improvement Fund	0.0	0.0	0.0	0.0		6.1
Chapter I	2.5	2.5	1.5	3.0	1.5	0.5
Support Staff - Other Funds	7.0	7.0	8.8	10.8	9.8	9.8
Total Support Staff	156.4	155.4	164.9	152.1	133.0	129.4
Total District Staffing	425.2	413.7	425.7	396.4	357.1	353.7

Source: School District Records

Table 15

CHILlicoTHE CITY SCHOOL DISTRICT
Educational Statistics
Last Five School Years

	1999-00	2000-01	2001-02	2002-03	2003-04
4th Grade Proficiency Tests:					
Citizenship	71	64	71	74	71
Mathematics	62	71	71	68	75
Reading	68	60	70	82	79
Writing	77	79	77	83	73
Science	55	64	73	74	78
6th Grade Proficiency Tests:					
Citizenship	75	64	65	67	69
Mathematics	57	53	53	43	69
Reading	52	57	47	63	65
Writing	88	79	84	86	93
Science	55	59	56	64	63
9th Grade Proficiency Tests:					
Citizenship	82	75	76	84	89
Mathematics	71	62	61	77	84
Reading	88	83	86	88	91
Writing	89	83	78	87	91
Science	80	71	66	74	85
Attendance Rate	94	94	93	94	93
Graduation Rate	80	85	88	88	89
ACT Scores (Composite Averages)					
Chillicothe	21.6	21.4	21.4	23.1	20.8
State	21.4	21.4	21.4	22.4	21.4
National	21.0	21.0	20.8	21.8	20.9
SAT Scores (Averages)					
Chillicothe					
Verbal	561	565	565	562	587
Mathematics	560	572	566	556	554
State					
Verbal	533	534	533	536	538
Mathematics	539	539	540	541	542
National					
Verbal	505	506	504	507	508
Mathematics	514	514	516	519	519

Source: Ohio Department of Education - School District Report Card Data

Note: Grade 9 Proficiency Tests - Results for 10th grade students who took the test as 8th, 9th, and 10th graders.

Table 16

CHILLICOTHE CITY SCHOOL DISTRICT
Demographic Statistics and Average Unemployment Rates
Last Ten Years

Fiscal Year	Estimated Population (1)	Per Capita Income (1)	Median Age (1)	School Enrollment	Ross County Unemployment (1)	State of Ohio Unemployment (1)	United States Unemployment (1)
1995	22,176	\$12,529	37.2	3,924	6.5%	5.5%	6.1%
1996	22,176	12,529	37.2	3,870	5.8%	4.8%	5.6%
1997	22,176	12,529	37.2	3,727	6.1%	4.9%	5.4%
1998	22,176	12,529	37.2	3,714	5.8%	4.5%	4.9%
1999	22,726	12,529	37.2	3,758	4.9%	3.9%	4.5%
2000	22,726	12,529	37.2	3,683	4.4%	4.0%	4.1%
2001	22,041	12,529	37.2	3,753	5.7%	3.9%	4.0%
2002	22,041	12,529	40.0	3,680	6.4%	5.3%	5.5%
2003	21,796	19,101	40.0	3,564	6.2%	5.7%	5.8%
2004	21,796	19,101	40.0	3,387	7.1%	6.0%	6.0%

Sources:

(1) Office of the City Auditor, Chillicothe, Ohio



**Auditor of State
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**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 17, 2005**