

**ASHLAND CITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**





**Auditor of State  
Betty Montgomery**

Board of Education  
Ashland City School District  
416 Arthur Street  
P.O. Box 160  
Ashland, Ohio 44805

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 1, 2006

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**ASHLAND CITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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*BASIC FINANCIAL STATEMENTS*

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Ashland City School District  
PO Box 160  
Ashland, OH 44805-0160

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ashland City School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 opinion.

The District, has not presented schedules of funding progress and employer contributions for the plan financial report, prepared in accordance with GASB Statement 43 is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 District, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

## **INDEPENDENT AUDITOR'S REPORT** (continued)

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District's. 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.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

March 23, 2006



***Ashland City School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities increased \$3,270,561, representing a 40.7 percent increase from fiscal year 2004.
- General revenues accounted for \$27,886,944 or 86.4 percent of all revenues. Program revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$4,384,376 or 13.6 percent of total revenues of \$32,271,320.
- The School District had \$29,000,759 in expenses related to governmental activities; only \$4,384,376 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$27,886,944 were adequate to provide for these programs.
- The general fund's fund balance increased \$2,393,501 from fiscal year 2004.

**Using this Annual Financial Report**

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

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

***Ashland City School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
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**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and answers the question, "How did we do financially during 2005?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School District's activities are considered to be all governmental activities:

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 8. Fund financial statements provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole.

**Ashland City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2005  
 Unaudited

Table 1 provides a summary of the School District's net assets for 2005 and 2004:

<i>Table 1</i>		
<i>Net Assets</i>		
	<i>Governmental Activities</i>	
	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
<i>Current and other assets</i>	\$ 25,699,532	\$ 19,622,291
<i>Capital assets, net of depreciation</i>	<u>7,726,420</u>	<u>7,844,801</u>
<i>Total assets</i>	<u>33,425,952</u>	<u>27,467,092</u>
<b>Liabilities</b>		
<i>Current and other liabilities</i>	17,073,870	13,956,720
<i>Long-term liabilities</i>		
<i>Due within one year</i>	808,785	761,800
<i>Due in more than one year</i>	<u>4,232,448</u>	<u>4,708,284</u>
<i>Total liabilities</i>	<u>22,115,103</u>	<u>19,426,804</u>
<b>Net Assets</b>		
<i>Invested in capital assets, net of related debt</i>	5,335,420	5,019,372
<i>Restricted</i>	1,590,644	1,530,344
<i>Unrestricted</i>	<u>4,384,785</u>	<u>1,490,572</u>
<i>Total net assets</i>	<u>\$ 11,310,849</u>	<u>\$ 8,040,288</u>

Although net assets increased by \$3,270,561 during the fiscal year, it should be noted that total assets increased by \$5,958,860 while liabilities increased by \$2,688,299. This increase in assets is due primarily from an increase in property taxes receivable and equity in pooled cash, both of which are the result of a new tax levy. The collections on the new tax levy have improved the cash flow of the general fund and in turn have resulted in a decrease in accounts payable as compared to last year. In addition, due to the timing of the School District's payroll, accrued wages decreased by \$153,627 as compared to 2004.

Capital assets, net of related debt, reported on the government-wide statements represent the largest portion of the School District's net assets, 47.2 percent for fiscal year 2005. Capital assets include land, land improvements, building improvements, furniture, fixtures, and equipment and vehicles, and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$1,590,644, or 14.0 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$578,375 or 36.4 percent is restricted for debt service payment; \$790,835 or 49.7 percent is restricted for capital projects; and \$210,728 or 13.2 percent is restricted for nonexpendable scholarship trusts held by the school district, reported as a permanent fund. A small amount, \$10,706 or .7 percent is restricted for other purposes. The remaining balance of government-wide unrestricted net assets of \$4,384,785 may be used to meet the School District's ongoing obligations to students and staff.

**Ashland City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

Table 2 shows change in net assets for fiscal year 2005 compared to 2004.

*Table 2*  
*Changes in Net Assets*

	<i>Governmental Activities</i>	
	<u>2005</u>	<u>2004</u>
<b>Revenues</b>		
<i>Program revenues:</i>		
<i>Charges for services</i>	\$ 1,835,274	\$ 1,745,721
<i>Operating grants, contributions and interest</i>	2,531,148	2,376,837
<i>Capital grants, contributions and interest</i>	17,954	18,741
<i>General revenues:</i>		
<i>Property taxes</i>	16,149,217	13,399,057
<i>Grants and entitlements</i>	11,295,653	11,713,769
<i>Contributions to permanent fund</i>	-	-
<i>Investment earnings</i>	149,136	70,344
<i>Miscellaneous</i>	292,938	281,921
<i>Total revenues</i>	<u>32,271,320</u>	<u>29,606,390</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
<i>Regular</i>	12,714,112	13,022,354
<i>Special</i>	3,158,850	3,007,019
<i>Vocational</i>	823,794	977,143
<i>Adult/continuing</i>	134	-
<i>Other</i>	950,488	963,169
<i>Support services:</i>		
<i>Pupils</i>	1,431,346	1,530,050
<i>Instructional staff</i>	1,280,575	1,324,583
<i>Board of education</i>	72,803	110,948
<i>Administration</i>	2,131,732	2,287,296
<i>Fiscal</i>	796,914	715,210
<i>Business</i>	364,784	382,071
<i>Operation and maintenance of plant</i>	2,114,542	2,597,218
<i>Pupil transportation</i>	921,524	996,448
<i>Central</i>	134,069	303,244
<i>Operation of non-instructional services:</i>		
<i>Food service operations</i>	1,175,492	1,236,911
<i>Community services</i>	215,850	207,235
<i>Extracurricular activities</i>	553,605	603,046
<i>Interest and fiscal charges</i>	160,145	204,683
<i>Total expenses</i>	<u>29,000,759</u>	<u>30,468,628</u>
<i>Change in net assets</i>	<u>\$ 3,270,561</u>	<u>\$ (862,238)</u>

***Ashland City School District***  
Management's Discussion and Analysis  
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***Governmental Activities***

Several revenue sources fund the School District's governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated approximately \$16.1 million in 2005. General revenues from grants and entitlements, such as the school foundation program, generated over \$11.2 million. With the combination of taxes and intergovernmental funding comprising approximately 85.0 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 reflects the total cost of instructional services was \$17,647,378 or 60.9 percent of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. These expenses decreased \$322,307, or 1.8 percent as compared to the prior year. The primary cause to this decrease was due to severance payments to staff members.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$2,711,921, or 9.4 percent of the total governmental program expenses. Expenses to provide these programs decreased \$142,712, or 5.0 percent, as compared to fiscal year 2004. This decrease was primarily caused by the payment of severance to staff members and costs associated with the decrease in enrollment over fiscal year 2004.

Board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost to provide these programs was \$3,366,233, or 11.6 percent of governmental program expenses. Costs of these programs decreased \$129,292, or 3.7 percent, as compared to the prior year. The most significant decrease was to the administration, which decreased \$155,564, or 6.8 percent. The most significant cause to this decrease was a result of decreased salaries, wages and benefits.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$2,114,542 or 7.3 percent of the governmental program expenses. These expenses decreased \$482,676, or 18.6 percent as compared to fiscal year 2004.

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The statement of activities shows the cost of program services and the charges for services and grants, contributions, and interest offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

*Table 3*  
*Governmental Activities*

	<u>Total Cost</u> <u>of Services</u> <u>2005</u>	<u>Total Cost</u> <u>of Services</u> <u>2004</u>	<u>Net Cost</u> <u>of Services</u> <u>2005</u>	<u>Net Cost</u> <u>of Services</u> <u>2004</u>
<b>Program Expenses</b>				
<i>Instruction:</i>				
Regular	\$ 12,714,112	\$ 13,022,354	\$ (11,749,802)	\$ (12,255,655)
Special	3,158,850	3,007,019	(2,442,620)	(2,307,432)
Vocational	823,794	977,143	(822,856)	(976,066)
Adult/continuing	134	-	366	-
Other	950,488	963,169	(904,097)	(963,169)
<i>Support services:</i>				
Pupils	1,431,346	1,530,050	(1,260,288)	(1,474,984)
Instructional staff	1,280,575	1,324,583	(839,709)	(695,865)
Board of education	72,803	110,948	(72,803)	(21,705)
Administration	2,131,732	2,287,296	(1,996,906)	(2,287,296)
Fiscal	796,914	715,210	(796,914)	(715,210)
Business	364,784	382,071	(321,081)	(298,131)
Operation and maintenance of plant	2,114,542	2,597,218	(2,110,719)	(2,593,899)
Pupil transportation	921,524	996,448	(854,832)	(952,787)
Central	134,069	303,244	(98,624)	(265,746)
<i>Operation of non-instructional services:</i>				
Food service operations	1,175,492	1,236,911	(98,688)	(104,093)
Community services	215,850	207,235	(2,866)	1,329
Extracurricular activities	553,605	603,046	(83,799)	(211,937)
Interest and fiscal charges	160,145	204,683	(160,145)	(204,683)
<b>Total expenses</b>	<u>\$ 29,000,759</u>	<u>\$ 30,468,628</u>	<u>\$ (24,616,383)</u>	<u>\$ (26,327,329)</u>

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$32,089,909 and total expenditures were \$29,737,792. The School District continues to be financially stable. The net increase in fund balance for the year was significant in the general fund, amounting to \$2,393,501. The primary cause of this increase was from the first full year of collections of the new tax levy. Net changes across all nonmajor governmental funds amounted to a decrease of \$41,384 or 1.9 percent.

**Ashland City School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2005  
 Unaudited

**General Fund Budgeting Highlights**

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

During fiscal year 2005, the School District amended its general fund budget, however not significantly. Budget revisions become necessary as expenditure priorities change according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue and other financing sources estimate was \$26,933,564, which was higher than the original budget estimate of \$25,798,187. Most of this \$1,135,377 difference was due to conservative estimates for grant awards, the amounts of which are unknown during the original budgeting process. Those estimates must be increased during the year as the awards are finalized.

The original expenditures and other financing uses estimate of \$26,992,819 was revised slightly over the fiscal year. Actual expenditures and other financing uses, however, were only \$26,253,135, \$739,684 less than originally anticipated. Insignificant decreases from the original to final budget were posted to nearly all line items of the budget. Even though the School District became aware of unexpected revenues, there was no intention of spending these additional revenues in any specific area.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the School District had \$7,726,420 invested in capital assets. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004:

*Table 4*  
*Capital Assets, at Fiscal Year End*  
*(Net of Depreciation)*

	<i>Governmental Activities</i>	
	<u>2005</u>	<u>2004</u>
<i>Land</i>	\$ 757,979	\$ 757,979
<i>Land improvements</i>	145,251	153,126
<i>Buildings</i>	4,755,177	4,791,588
<i>Furniture, fixtures and equipment</i>	1,652,246	1,677,387
<i>Vehicles</i>	415,767	464,721
<i>Total capital assets</i>	<u>\$ 7,726,420</u>	<u>\$ 7,844,801</u>

There were no significant purchases of capital assets during the fiscal year. Capital assets, net of depreciation, decreased by \$118,381, which was mainly due to the current year's depreciation of \$238,527. See Note 8 to the basic financial statements for detail on the School District's capital assets.

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**Debt**

At June 30, 2005 the School District had \$2,771,000 in bonds and notes outstanding with \$510,000 due within one year. This balance reflected a reduction of \$489,000, or 15 percent, from the previous year's balance of \$3,260,000. Table 5 summarizes the bonds and notes outstanding:

*Table 5  
 Outstanding General Obligation Debt, at Fiscal Year End*

	<i>Governmental Activities 2005</i>	<i>Governmental Activities 2004</i>
<i>Library Improvement Bonds</i>	<i>\$ 380,000</i>	<i>\$ 475,000</i>
<i>Land Purchase Loan</i>	<i>151,000</i>	<i>160,000</i>
<i>Certificates of Participation</i>	<i>2,240,000</i>	<i>2,625,000</i>
<i>Total outstanding debt</i>	<i><u>\$ 2,771,000</u></i>	<i><u>\$ 3,260,000</u></i>

During fiscal year 1986, the School District issued \$2,177,000 in bonds, the proceeds of which were used to renovate the Ashland Public Library. During fiscal year 1997, the School District issued Certificates of Participation in the amount of \$4,605,000 and simultaneously entered into a trust and lease agreement to make payments on the Certificates. The proceeds of this issue were used for the construction of additions to two existing elementary schools. In fiscal year 2002, a loan in the amount of \$178,000 was issued to purchase land that was intended to be used as the site of a new school building.

The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. See Note 13 to the basic financial statements for detail on the School District's debt.

**Current Issues Affecting Financial Condition**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In December 2003, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The Court directed the Governor and the legislature to address the fundamental issue creating the inequities. See Note 16 to the basic financial statements for more on this contingent matter.



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Management's Discussion and Analysis  
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Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional financial information, contact Robin McFarren, Treasurer, Ashland City School District, 416 Arthur Street, Ashland OH, 44805.

***Ashland City School District***  
**Statement of Net Assets**  
**June 30, 2005**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 6,814,170
Cash and cash equivalents:	
With fiscal agents	464,034
Investments in segregated accounts	188,306
Receivables:	
Taxes	18,064,506
Accounts	25,808
Intergovernmental	115,593
Inventory held for resale	24,790
Materials and supplies inventory	2,325
Capital assets:	
Land	757,979
Depreciable capital assets, net	6,968,441
Total capital assets	<u>7,726,420</u>
Total assets	<u>33,425,952</u>
<u>Liabilities:</u>	
Accounts payable	122,232
Accrued wages	1,967,024
Intergovernmental payable	649,966
Deferred revenue	13,845,873
Accrued interest payable	12,041
Claims payable	476,734
Long-term liabilities:	
Due within one year	808,785
Due in more than one year	4,232,448
Total liabilities	<u>22,115,103</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	5,335,420
Restricted for:	
Capital projects	790,835
Debt service	578,375
Permanent fund purpose - scholarships	
Nonexpendable	210,728
Other purposes	10,706
Unrestricted	4,384,785
Total net assets	<u>\$ 11,310,849</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

	Program Revenues				Net (Expense)
					Revenue and
					Change in
					Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 12,714,112	\$ 613,139	\$ 351,171	\$ -	\$ (11,749,802)
Special	3,158,850	76,056	640,174	-	(2,442,620)
Vocational	823,794	-	938	-	(822,856)
Adult/continuing	134	500	-	-	366
Other	950,488	3,745	42,646	-	(904,097)
Support services:					
Pupils	1,431,346	-	171,058	-	(1,260,288)
Instructional staff	1,280,575	-	440,866	-	(839,709)
Board of education	72,803	-	-	-	(72,803)
Administration	2,131,732	46,433	88,393	-	(1,996,906)
Fiscal	796,914	-	-	-	(796,914)
Business	364,784	20,800	22,903	-	(321,081)
Operation and maintenance of plant	2,114,542	-	3,823	-	(2,110,719)
Pupil transportation	921,524	-	48,738	17,954	(854,832)
Central	134,069	-	35,445	-	(98,624)
Operation of non-instructional services:					
Food service operations	1,175,492	610,637	466,167	-	(98,688)
Community services	215,850	-	212,984	-	(2,866)
Extracurricular activities	553,605	463,964	5,842	-	(83,799)
Interest and fiscal charges	160,145	-	-	-	(160,145)
Total governmental activities	<u>\$ 29,000,759</u>	<u>\$ 1,835,274</u>	<u>\$ 2,531,148</u>	<u>\$ 17,954</u>	<u>(24,616,383)</u>

General Revenues:

Property taxes levied for:

General purposes	15,661,449
Debt service	19,973
Capital projects	467,795
Grants and entitlements not restricted to specific programs	11,295,653
Investment earnings	149,136
Miscellaneous	292,938
Total general revenues	<u>27,886,944</u>

Change in net assets 3,270,561

Net assets beginning of year 8,040,288  
Net assets end of year \$ 11,310,849

See accompanying notes to the basic financial statements.

***Ashland City School District***  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 2,816,253	\$ 1,769,843	\$ 4,586,096
Cash and cash equivalents:			
With fiscal agents	-	464,034	464,034
Investments in segregated accounts	-	188,306	188,306
Receivables:			
Taxes	17,578,282	486,224	18,064,506
Accounts	25,696	112	25,808
Intergovernmental	-	115,593	115,593
Interfund	93,184	-	93,184
Inventory held for resale	-	24,790	24,790
Materials and supplies inventory	-	2,325	2,325
Equity in pooled cash and cash equivalents (restricted)	35,618	-	35,618
Total assets	<u>20,549,033</u>	<u>3,051,227</u>	<u>23,600,260</u>
<u>Liabilities:</u>			
Accounts payable	\$ 31,990	\$ 90,242	\$ 122,232
Accrued wages	1,794,522	172,502	1,967,024
Interfund payable	-	93,184	93,184
Intergovernmental payable	578,112	70,542	648,654
Deferred revenue	14,167,605	489,244	14,656,849
Total liabilities	<u>16,572,229</u>	<u>915,714</u>	<u>17,487,943</u>
<u>Fund balances:</u>			
Reserved for:			
Encumbrances	234,219	178,139	412,358
Bus purchases	35,618	-	35,618
Endowments	-	188,306	188,306
Unreserved, undesignated, reported in:			
General fund	3,706,967	-	3,706,967
Special revenue funds	-	155,235	155,235
Debt service fund	-	970,416	970,416
Capital projects fund	-	620,995	620,995
Permanent fund	-	22,422	22,422
Total fund balances	<u>3,976,804</u>	<u>2,135,513</u>	<u>6,112,317</u>
Total liabilities and fund balances	<u>\$ 20,549,033</u>	<u>\$ 3,051,227</u>	<u>\$ 23,600,260</u>

See accompanying notes to the basic financial statements.

***Ashland City School District***  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2005**

Total governmental fund balances		\$	6,112,317
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.			7,726,420
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property taxes	\$	784,444	
Intergovernmental		3,020	
Charges for services		23,512	
Total		<u>810,976</u>	810,976
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.			1,713,926
In the statement of activities, interest is accrued on outstanding bonds and certificates of participation, whereas in governmental funds, an interest expenditure is reported when due.			(12,041)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds	\$	(2,771,000)	
Compensated absences		<u>(2,269,749)</u>	
Total			<u>(5,040,749)</u>
Net assets of governmental activities		\$	<u>11,310,849</u>

See accompanying notes to the basic financial statements.

***Ashland City School District***  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2005**

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 15,551,970	\$ 409,895	\$ 15,961,865
Intergovernmental	11,262,356	2,458,960	13,721,316
Interest	144,501	20,194	164,695
Tuition and fees	575,373	138,996	714,369
Extracurricular activities	205,076	282,743	487,819
Gifts and donations	-	89,073	89,073
Charges for services	8,103	633,669	641,772
Rent	3,470	-	3,470
Increase in fair value of investments	-	3,923	3,923
Miscellaneous	289,512	12,095	301,607
Total revenues	<u>28,040,361</u>	<u>4,049,548</u>	<u>32,089,909</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	12,161,443	558,982	12,720,425
Special	2,521,822	618,126	3,139,948
Vocational	816,552	14,193	830,745
Adult/continuing	-	134	134
Other	909,579	40,909	950,488
Support services:			
Pupils	1,265,926	173,150	1,439,076
Instructional staff	801,707	493,169	1,294,876
Board of education	72,803	-	72,803
Administration	2,060,016	153,298	2,213,314
Fiscal	777,698	12,782	790,480
Business	338,618	34,848	373,466
Operation and maintenance of plant	2,024,876	95,903	2,120,779
Pupil transportation	848,304	48,597	896,901
Central	119,468	35,445	154,913
Operation of non-instructional services:			
Food service operations	-	1,176,086	1,176,086
Community service	-	217,251	217,251
Extracurricular	328,406	205,748	534,154
Capital outlay	-	120,146	120,146
Debt service:			
Principal retirement	425,429	104,000	529,429
Interest and fiscal charges	121,185	41,193	162,378
Total expenditures	<u>25,593,832</u>	<u>4,143,960</u>	<u>29,737,792</u>
Excess of revenues over (under) expenditures	<u>2,446,529</u>	<u>(94,412)</u>	<u>2,352,117</u>
<u>Other financing sources (uses):</u>			
Transfers in	-	53,028	53,028
Transfers out	(53,028)	-	(53,028)
Total other financing sources (uses)	<u>(53,028)</u>	<u>53,028</u>	<u>-</u>
Net change in fund balances	2,393,501	(41,384)	2,352,117
Fund balances beginning of year, as restated	1,583,303	2,176,897	3,760,200
Fund balances end of year	<u>\$ 3,976,804</u>	<u>\$ 2,135,513</u>	<u>\$ 6,112,317</u>

See accompanying notes to the basic financial statements.

***Ashland 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, 2005**

Net change in fund balances - total governmental funds \$ 2,352,117

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 capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Net capital asset additions	\$ 120,146	
Depreciation expense	<u>(238,527)</u>	
Excess of net capital outlay over depreciation expense		(118,381)

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

Property taxes	\$ 187,351	
Intergovernmental	3,020	
Tuition and fees	(8,916)	
Miscellaneous	<u>(44)</u>	
Net change in deferred revenues during the year		181,411

Repayments of debt and capital lease principal are expenditures in the governmental funds, but the  
repayments reduce long-term liabilities in the statement of net assets. 529,429

Some items 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. These  
activities consist of:

Increase in compensated absences	\$ (100,708)	
Decrease in accrued interest	<u>2,233</u>	
Total additional expenses		(98,475)

The internal service fund used by management to charge the costs of medical, prescription  
drug, dental and vision claims to individual funds are not reported in the statement of  
activities. The net revenue (expense) of the internal service fund is reported in the  
government-wide statements.

424,460

Change in net assets of governmental activities \$ 3,270,561

See accompanying notes to the basic financial statements.

***Ashland City School District***  
**Statement of Revenues, Expenditures and Changes in Fund Balance-**  
**Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 13,073,928	\$ 14,412,669	\$ 14,412,669	\$ -
Intergovernmental	11,428,259	11,262,356	11,262,356	-
Interest	77,734	126,155	126,155	-
Tuition and fees	616,481	591,642	591,642	-
Extracurricular activities	264,295	205,076	205,076	-
Charges for services	8,292	8,103	8,103	-
Rent	3,109	3,745	3,745	-
Miscellaneous	311,972	309,431	309,431	-
Total revenues	<u>25,784,070</u>	<u>26,919,177</u>	<u>26,919,177</u>	<u>-</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	12,525,260	12,248,773	12,343,479	(94,706)
Special	2,507,925	2,479,854	2,530,680	(50,826)
Vocational	849,290	839,375	824,851	14,524
Other	1,099,511	1,097,239	1,022,526	74,713
Support services:				
Pupils	1,351,211	1,336,124	1,283,937	52,187
Instructional staff	914,835	905,678	810,672	95,006
Board of education	196,991	180,659	128,571	52,088
Administration	2,138,762	2,120,445	2,075,596	44,849
Fiscal	808,110	799,075	791,211	7,864
Business	397,703	397,703	342,636	55,067
Operation and maintenance of plant	2,174,373	2,151,703	2,077,743	73,960
Pupil transportation	950,129	939,538	899,828	39,710
Central	147,717	147,717	121,366	26,351
Extracurricular activities	375,522	375,522	348,999	26,523
Capital outlay	505,480	505,480	504,828	652
Total expenditures	<u>26,942,819</u>	<u>26,524,885</u>	<u>26,106,923</u>	<u>417,962</u>
Excess of revenues over (under) expenditures	<u>(1,158,749)</u>	<u>394,292</u>	<u>812,254</u>	<u>417,962</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	500	6,510	6,510	-
Refund of prior year expenditures	-	1,069	1,069	-
Advances in	13,617	6,808	6,808	-
Advances out	(50,000)	(50,000)	(93,184)	(43,184)
Transfers out	-	-	(53,028)	(53,028)
Total other financing sources (uses)	<u>(35,883)</u>	<u>(35,613)</u>	<u>(131,825)</u>	<u>(96,212)</u>
Net change in fund balance	(1,194,632)	358,679	680,429	321,750
Fund balance at beginning of year	1,690,342	1,690,342	1,690,342	-
Prior year encumbrances appropriated	206,551	206,551	206,551	-
Fund balance at end of year	<u>\$ 702,261</u>	<u>\$ 2,255,572</u>	<u>\$ 2,577,322</u>	<u>\$ 321,750</u>

See accompanying notes to the basic financial statements.



***Ashland City School District***  
**Statement of Fund Net Assets**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Self Insurance</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 2,192,456</u>
<u>Liabilities:</u>	
Current liabilities:	
Intergovernmental payable	1,312
Claims payable	<u>476,734</u>
Total current liabilities	<u>478,046</u>
Noncurrent liabilities:	
Due in more than one year	<u>484</u>
Total liabilities	<u>478,530</u>
<u>Net assets:</u>	
Unrestricted	<u>1,713,926</u>
Total liabilities and net assets	<u>\$ 2,192,456</u>

See accompanying notes to the basic financial statements.

***Ashland City School District***  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2005**

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	<u>\$ 3,575,648</u>
 <u>Operating expenses:</u>	
Salaries	54,421
Fringe benefits	15,625
Purchased services	373,968
Claims	<u>2,707,174</u>
Total operating expenses	<u>3,151,188</u>
 Change in net assets	 424,460
 Net assets beginning of year	 <u>1,289,466</u>
Net assets end of year	<u>\$ 1,713,926</u>

See accompanying notes to the basic financial statements.

***Ashland City School District***  
**Statement of Cash Flows**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Self Insurance</u>
<u>Cash flows from operating activities:</u>	
Cash received from interfund services provided	\$ 3,575,648
Cash payments to suppliers for goods and services	(373,968)
Cash payments to employees for services	(54,551)
Cash payments for employee benefits	(15,732)
Cash payments for claims	<u>(2,761,613)</u>
Net cash provided by operating activities	<u>369,784</u>
Net increase in cash and cash equivalents	369,784
Cash and cash equivalents at beginning of year	<u>1,822,672</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,192,456</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 424,460</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in liabilities:	
Accrued wages	(57)
Compensated absences payable	(130)
Intergovernmental payable	(50)
Claims payable	<u>(54,439)</u>
Net cash provided by operating activities	<u><u>\$ 369,784</u></u>

***Ashland City School District***  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2005**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 12,896	\$ 51,835
<u>Liabilities:</u>		
Accounts payable	128	1,806
Due to students	-	50,029
Total liabilities	128	\$ 51,835
<u>Net assets:</u>		
Held in trust for scholarships	12,768	
Total net assets	\$ 12,768	

See accompanying notes to the basic financial statements.

***Ashland City School District***  
**Statement of Changes in Fiduciary Net Assets**  
**Private Purpose Trust Fund**  
**For the Fiscal Year Ended June 30, 2005**

	Private Purpose Trust
<u>Additions:</u>	
Investment earnings	\$ 744
Interest	4,807
Total additions	<u>5,551</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>6,398</u>
Change in net assets	(847)
Net assets beginning of year	<u>13,615</u>
Net assets end of year	<u><u>\$ 12,768</u></u>

See accompanying notes to the basic financial statements.

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

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 119 non-certificated employees and 275 certificated teaching and support personnel, including 18 administrators, that provides services to 3,385 students and other community members.

Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the 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; or (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 School District is associated with the Tri-County Computer Service Association, which is defined as a jointly governed organization. A jointly governed organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 15.

## *Notes to the Basic Financial Statements*

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### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles.

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

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. The activity of the internal service fund and other internal activity of governmental funds are eliminated to avoid "doubling-up" revenues and expenses.

The statement of net assets presents the financial condition of the 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. 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.

##### 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 governmental 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.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into three categories: governmental, proprietary and fiduciary. The School District's only agency fund accounts for student managed activities.

Governmental Fund Types

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

*General Fund:* The general fund is the 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 balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Proprietary Fund Type

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

*Internal Service Fund:* The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for revenue received from other funds and the settlement expenses for medical, surgical, prescription drug, dental, and vision claims of School District employees.

Fiduciary Fund Types

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



## *Notes to the Basic Financial Statements*

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### **C. Measurement Focus and Basis of Accounting**

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and 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.

The private purpose trust fund is reported using the economic resources measurement focus.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The private purpose trust fund and the agency fund also use the accrual basis of accounting. 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.

#### Revenue - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. 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 expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

#### Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

#### Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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

## *Notes to the Basic Financial Statements*

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### **D. Budgets and Budgetary Accounting**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005. The amounts reported as the original budgeted expenditure 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 expenditure amounts represent the final appropriation amounts passed by the Board of education during the year.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

### **E. Cash and Investments**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. 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". During the fiscal year, investments were limited to overnight repurchase agreement, interest in Star Ohio, the State Treasurer's Investment Pool and stock certificates. These investments are stated at cost, which approximates market value (fair value).

In a previous fiscal year, the School District received donated stocks, which are reported in a permanent endowment fund as "Investments in segregated accounts". The stocks are carried at fair value and are not to be sold. The dividends are used for expenditures of this fund.

### **F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

*Ashland City School District*

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

**H. Inventory** On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories on the fund financial statements are stated at cost for governmental funds. Cost is determined on a first-in, first-out basis. Inventories of the general fund were not significant at the end of the year. Inventories of the food service special revenue fund consist of donated and purchased food. Inventories reported on the fund financial statements are expensed when purchased.

**I. Restricted Assets** Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, laws of other governments, or enabling legislation. Restricted assets in the general fund include unexpended revenues restricted for the purchase of school buses. See Note 17 and 18 for additional information regarding statutory reserves and restricted assets.

**J. Capital Assets** General capital assets are those assets resulting 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions 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 five thousand dollars. 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 the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<i>Description</i>	<i>Estimated Lives</i>
<i>Land improvements</i>	<i>8 years</i>
<i>Buildings</i>	<i>40 years</i>
<i>Furniture, fixtures and equipment</i>	<i>5 - 8 years</i>
<i>Vehicles</i>	<i>10 years</i>

## *Notes to the Basic Financial Statements*

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### **K. Compensated Absences**

Vacation 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 the 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 absences liability is reported on the government-wide financial statements.

For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

### **L. Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

### **M. Net Assets**

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

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

### **N. Operating Revenues and Expenses**

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

*Ashland City School District*

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- O. Interfund Transactions**                      Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets.
- P. 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.
- Q. Fund Balance Reserves**                      The School District records reservations for portions of fund balances, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditures. Unreserved fund balance indicates the portion of fund balances that are available for appropriation in future periods. Fund balance reserves are established for encumbrances, bus purchases, and endowments.

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

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A. Changes in accounting principles

For fiscal year 2005, the School District has implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures"; GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers" and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

B. Restatement of fund balances

As a result of the implementation of the Technical Bulletin and GASB Statement No. 45, certain beginning fund balances were required to be restated. These restatements involve reporting pension and other postemployment benefit liabilities on the governmental fund financial statements where beforehand were exclusively reported on the government-wide financial statements.

The restatement of fund balance is presented below:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<i>Fund balances at June 30, 2004</i>	\$ 1,752,436	\$ 2,214,796	\$ 3,967,232
<i>Restatement of intergovernmental payable</i>	<i>(169,133)</i>	<i>(37,899)</i>	<i>(207,032)</i>
<i>Restated fund balances at July 1, 2004</i>	<u>\$ 1,583,303</u>	<u>\$ 2,176,897</u>	<u>\$ 3,760,200</u>

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## *Notes to the Basic Financial Statements*

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### **NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above 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 (Non-GAAP Basis) and Actual presentation for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

*Net Change in Fund Balance*

	<u>General</u>
<i>GAAP Basis</i>	\$ 2,393,501
<i>Revenue Accruals</i>	(1,106,797)
<i>Expenditure Accruals</i>	(349,420)
<i>Encumbrances (Budget Basis) outstanding at year end</i>	<u>(256,855)</u>
<i>Budget Basis</i>	<u>\$ 680,429</u>

### **NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Interim moneys may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.



## *Notes to the Basic Financial Statements*

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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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

### A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$7,328,885. The School District's bank balance of \$7,516,811 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the School District's name	\$ 7,211,518
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### B. Investments internal investment pool

As of June 30, 2005 the School District had \$14,050 in STAROhio. 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 Securities Exchange Commission 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, 2005.

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 2005 amounted to \$144,501, which includes \$64,175 assigned from other School District funds.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAROhio an AAAM rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

*Ashland City School District*

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C. Investments - permanent endowment fund

As of June 30, the School District's permanent endowment fund had the following investments:

<u>Investment type</u>	<u>Fair Value</u>
<i>Stocks:</i>	
<i>AT&amp;T</i>	\$ 75,836
<i>Agere Systems</i>	348
<i>Avaya</i>	732
<i>Bellsouth</i>	39,217
<i>Exelon</i>	10,266
<i>Lucent</i>	3,096
<i>Verizon</i>	38,869
<i>Vodafone</i>	19,942
	<u>\$ 188,306</u>

Concentration of Credit Risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5 percent of the School District's investments are in AT&T, Bellsouth, Exelon, Verizon, and Vodafone. These investments are 37%, 19%, 5%, 19%, and 10% respectively, of the School District total investments. These investments were donated in a prior year and the principal amount is non-expendable. The School District's policy places no limit on the amount that may be invested in any one issuer

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**NOTE 6 - PROPERTY TAX**

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Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

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

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## *Notes to the Basic Financial Statements*

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

The School District receives property taxes from Ashland and Richland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by year-end are available to finance the current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent. The Board has passed a resolution to accept advances of property taxes and make them available for appropriation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current 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 year-end was \$3,434,189 in the general fund and is recognized as revenue on the fund financial statements.

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>2003 Assessed Value</u>	<u>2004 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 295,565,090	\$ 300,977,380
Commercial and industrial	83,598,330	85,020,250
<u>Tangible Personal Property</u>		
General	68,677,731	61,392,515
Public utilities	18,284,360	18,235,900
<i>Total</i>	<u>\$ 466,125,511</u>	<u>\$ 465,626,045</u>

### **NOTE 7 - RECEIVABLES**

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Receivables at year-end consisted of taxes, accounts, interfund, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of principal items of intergovernmental receivables follows:

*Ashland City School District*

<i>Funds</i>	<i>Amount</i>
<i>Special revenue funds:</i>	
<i>DPIA</i>	\$ 3,678
<i>Summer Intervention</i>	10,238
<i>Title VI-B</i>	55,000
<i>Title I</i>	38,966
<i>Reducing class size</i>	<u>7,711</u>
<i>Total intergovernmental receivable</i>	<u>\$ 115,593</u>

**NOTE 8 – CAPITAL ASSETS**

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

<i>Governmental Activities</i>	<i>Balance June 30, 2004</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance June 30, 2005</i>
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$ 757,979	\$ -	\$ -	\$ 757,979
<i>Capital assets, being depreciated:</i>				
<i>Land improvements</i>	451,883	-	-	451,883
<i>Buildings and improvements</i>	15,270,462	68,910	-	15,339,372
<i>Furniture, fixtures and equipment</i>	4,156,800	51,236	-	4,208,036
<i>Vehicles</i>	<u>1,560,047</u>	<u>-</u>	<u>-</u>	<u>1,560,047</u>
<i>Total capital assets, being depreciated</i>	<u>21,439,192</u>	<u>120,146</u>	<u>-</u>	<u>21,559,338</u>
<i>Less: Accumulated depreciation</i>				
<i>Land improvements</i>	(298,757)	(7,875)	-	(306,632)
<i>Buildings and improvements</i>	(10,478,874)	(105,321)	-	(10,584,195)
<i>Furniture, fixtures and equipment</i>	(2,479,413)	(76,377)	-	(2,555,790)
<i>Vehicles</i>	<u>(1,095,326)</u>	<u>(48,954)</u>	<u>-</u>	<u>(1,144,280)</u>
<i>Total accumulated depreciation</i>	<u>(14,352,370)</u>	<u>(238,527)</u>	<u>-</u>	<u>(14,590,897)</u>
<i>Total capital assets being depreciated, net</i>	<u>7,086,822</u>	<u>(118,381)</u>	<u>-</u>	<u>6,968,441</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 7,844,801</u>	<u>\$ (118,381)</u>	<u>\$ -</u>	<u>\$ 7,726,420</u>

## *Notes to the Basic Financial Statements*

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Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 104,859
<i>Special</i>	15,325
<i>Vocational</i>	1,809
<i>Support services:</i>	
<i>Instructional staff</i>	1,132
<i>Administration</i>	6,914
<i>Fiscal</i>	1,096
<i>Operation and maintenance of plant</i>	18,033
<i>Pupil transportation</i>	44,233
<i>Food service operations</i>	24,107
<i>Extracurricular activities</i>	<u>21,019</u>
<i>Total depreciation expense</i>	<u>\$ 238,527</u>

### **NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, and TRANSFERS**

A. Interfund balances at June 30, 2005 consisted of the following:

<i>Due to general fund from:</i>	
<i>Nonmajor governmental funds</i>	\$ 93,184

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund loans outstanding are anticipated to be repaid in fiscal year 2006.

B. Transfers at June 30, 2005 consisted of the following:

<i>Transfers from the general fund:</i>	
<i>To nonmajor governmental funds</i>	\$ 53,028

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

*Ashland City School District*

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**NOTE 10 – RISK MANAGEMENT**

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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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$476,734, reported in the fund at year end, was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$70,000 per employee.

Changes in the fund’s claims liability during 2004 and 2005 were:

<i>Fiscal Year</i>	<i>Balance at beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
2004	\$ 467,635	2,898,372	(2,834,834)	\$ 531,173
2005	\$ 531,173	2,707,174	(2,761,613)	\$ 476,734

The School District pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

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**A. School Employees  
Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established 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 for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website, [www.ohsers.org](http://www.ohsers.org), under forms and publications.

## *Notes to the Basic Financial Statements*

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Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2004, 9.09% was 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, 2005, 2004, 2003 were \$328,252, \$299,715, and \$237,495, respectively; 62% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$124,735, representing the unpaid contribution for fiscal year 2005, is recorded as an intergovernmental payable.

### **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. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2005 plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,808,876, \$1,841,928, and \$1,785,814, respectively; 83% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$307,509, representing the unpaid contribution for fiscal year 2005, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2005 were \$13,064 made by the School District and \$38,978 made by the plan members.

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**NOTE 12 - POST-EMPLOYMENT BENEFITS**

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Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.



## *Notes to the Basic Financial Statements*

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By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$139,144 during the 2005 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, the net health care costs paid by the STRS were \$254,780,000 and eligible benefit recipients totaled 115,395.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. For this fiscal year, employer contributions to fund health care benefits were 3.43% of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$152,601, which includes a surcharge of \$46,082 during the 2005 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ended June 30, 2005 were \$178,221,113. The target level for health fund is 150% of projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual claim costs. The number of participants eligible to receive benefits is 558,123.

*Ashland City School District*

**NOTE 13 – BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS**

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

	<i>Balance</i>			<i>Balance</i>	<i>Due in</i>
<u>Governmental activities</u>	<u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2005</u>	<u>one year</u>
<u>General Obligations</u>					
<i>Library Improvement Bonds</i>	\$ 475,000	\$ -	\$ (95,000)	\$ 380,000	\$ 95,000
<i>Certificates of Participation</i>	2,625,000	-	(385,000)	2,240,000	405,000
<i>Land Purchase Loan</i>	160,000	-	(9,000)	151,000	10,000
<i>Total General Obligations</i>	<u>3,260,000</u>	<u>-</u>	<u>(489,000)</u>	<u>2,771,000</u>	<u>510,000</u>
<u>Other Obligations</u>					
<i>Compensated absences</i>	2,169,655	332,949	(232,371)	2,270,233	298,785
<i>Capital leases payable</i>	40,429	-	(40,429)	-	-
<i>Total other liabilities</i>	<u>2,210,084</u>	<u>332,949</u>	<u>(272,800)</u>	<u>2,270,233</u>	<u>298,785</u>
<i>Governmental activities</i> <i>long-term liabilities</i>	<u>\$ 5,470,084</u>	<u>\$ 332,949</u>	<u>\$ (761,800)</u>	<u>\$ 5,041,233</u>	<u>\$ 808,785</u>

The original principals, interest rates and maturities of the general obligations are as follows:

	<u>Original</u>	<u>Interest</u>	<u>Maturity</u>
	<u>Principal</u>	<u>Rate</u>	<u>Date</u>
<u>General Obligations</u>			
<i>Library Improvement Bonds</i>	\$ 2,177,000	8.75%	December 1, 2008
<i>Land Purchase Loan</i>	178,000	4.50% to 5.10%	December 1, 2009
<i>Certificates of Participation</i>	4,605,000	2.30% to 3.00%	July 1, 2017

Library Improvements Bonds: During the year ended June 30, 1985, the School District issued bonds for improving the Ashland Public Library. The repayment of the debt is from property tax revenue received in the bond retirement debt service fund.

Certificates of Participation: Certificates of Participation were issued during fiscal year 1997. Concurrently, the School District entered into a trust and lease agreement to make base rent payments for the face value of the Certificates. The agreements were for the School District to sublease additions to two existing elementary schools, which were constructed using the proceeds from the Certificates.

The renewal of the lease and disbursement of rent payments are subject to appropriations made by the School District's Board from the general fund.

## Notes to the Basic Financial Statements

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Land Purchase Loan: During the year ended June 30, 2003, the School District entered into a Loan to purchase land adjacent to the high school for future expansion. The repayment is from the permanent improvement fund and subject to appropriations made by the School District's Board.

Other Obligations: Compensated absences are typically paid from the fund from which the employee is paid. In prior years this has primarily been the general fund. Capital lease obligations are typically paid from the general fund.

Principal and interest requirements to amortize all general obligation bonds, loan and certificates outstanding at June 30, 2005 are as follows:

<i>Fiscal Year</i>	<i>Bonds</i>		<i>Certificates</i>		<i>Loan</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2006	\$ 95,000	\$ 29,094	\$ 405,000	\$ 101,419	\$ 10,000	\$ 7,446
2007	95,000	20,781	425,000	81,185	10,000	7,040
2008	95,000	12,469	445,000	59,759	11,000	6,613
2009	95,000	8,313	470,000	36,995	11,000	6,111
2010	-	-	495,000	12,622	11,000	5,609
2011-2015	-	-	-	-	67,000	18,962
2016-2017	-	-	-	-	31,000	2,520
<i>Total</i>	<u>\$ 380,000</u>	<u>\$ 70,657</u>	<u>\$ 2,240,000</u>	<u>\$ 291,980</u>	<u>\$ 151,000</u>	<u>\$ 54,301</u>

### NOTE 14 – NONCANCELLABLE OPERATING LEASES

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The District leases copier machines under noncancellable operating leases. Total payments for these leases are \$24,065 for the year ended June 30, 2005, and is reported in the general fund. The future minimum lease payments as of June 30, 2005 are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2006	\$ 36,098
2007	36,098
2008	36,098
2009	36,098
2010	12,033
<i>Total</i>	<u>\$ 156,425</u>

**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS**

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Tri-County Computer Service Association (TCCSA) is the computer service organization or Data Acquisition Site (DAS) used by the School District. TCCSA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged.

TCCSA is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest in or an ongoing financial responsibility for the consortium. Payments to TCCSA are made from the general fund. During fiscal year 2005, the School District contributed \$195,868 to TCCSA.

**NOTE 16 - CONTINGENCIES**

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A few claims and lawsuits are pending against the School District. It is management's opinion that the ultimate liability will be covered by insurance and/or will not have a material effect on the financial statements.

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the School District's management believes that such disallowances, if any, will be immaterial.

On December 11, 2003, 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...".

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

*Notes to the Basic Financial Statements*

**NOTE 17 - STATUTORY RESERVES**

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, for school bus purchases, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>
<i>Set-aside cash balance as of</i>		
<i>June 30, 2005</i>	\$ (592,134)	\$ -
<i>Current year set-aside requirement</i>	517,779	517,779
<i>Current year offset</i>	-	(510,909)
<i>Qualifying disbursements</i>	<u>(315,388)</u>	<u>(385,000)</u>
<i>Total</i>	<u>\$ (389,743)</u>	<u>\$ (378,129)</u>
<i>Balance carried forward</i>		
<i>to future years</i>	<u>\$ (389,743)</u>	

**NOTE 18 – SCHOOL DISTRICT'S OTHER RESERVES**

At June 30, 2004, the School District also had a cash balance of \$17,664 set aside as a school bus reserve. During fiscal year 2005, an additional \$17,954 was received as a school bus subsidy. This activity resulted in a reserve balance of \$35,618 to be used for the purchase of school buses in future years, and is reported as restricted cash on the governmental funds balance sheet.

The Board by resolution as allowed by Senate Bill 345 eliminated the budget reserve of \$138,734 reported in prior years, and also eliminated by resolution the amount designated for budget stabilization of \$187,922.

**NOTE 19 - REQUIRED SUPPLEMENTARY INFORMATION (RSI) IS OMITTED**

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For the fiscal year ended, the School District was required to implement GASB Technical Bulletin No. 2004-2. In addition to the implementation of this guidance, the School District simultaneously implemented GASB Statement No. 45, as recommended by the GASB. This Statement requires employers to present as required supplementary information (RSI) schedules of funding progress and employer contributions for the plan as a whole if a plan financial report, prepared in accordance with GASB Statement 43 is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity. SERS and STRS have not issued a financial report in accordance with the statement and have not conducted a valuation of their plans, as they were not required to implement the statement as of the date of this report. Therefore, RSI is unavailable to the School District and it does not follow these notes to the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Ashland City School District  
PO Box 160  
Ashland, OH 44805-0160

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ashland City School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 23, 2006, wherein we noted the District implemented GASB Statement No. 45. The required supplementary information was not available to the District as of March 23, 2006. For the year ended June 30, 2005, the District was not required to implement GASB Statement No. 45 and will omit the required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** (continued)

However, we noted certain matters that we reported to management of the District in a separate letter dated March 23, 2006.

This report is intended solely for the information and use of 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.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

March 23, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Education  
Ashland City School District  
PO Box 160  
Ashland, OH 44805-0160

Compliance

We have audited the compliance of the Ashland City School District (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, 2005. The District's major federal program 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in item 2005-01 and 2005-02 in the accompanying Schedule of Findings, the District did not comply with requirements regarding Eligibility and Equipment and Real Property Management that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the District, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133** (continued)

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of 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.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

March 23, 2006

**Ashland City School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	043505-LLP4-2005	\$268,282	\$268,282
National School Lunch Program	10.555	043505-LLP4-2004	57,499	57,499
Total National School Lunch Program			325,781	325,781
Federal School Breakfast	10.553	043505-05PU-2005	62,158	62,158
Federal School Breakfast	10.553	043505-05PU-2004	12,454	12,454
Total Federal School Breakfast			74,612	74,612
Food Donation	10.550	- - - -	378,452	378,452
Total U.S. Department of Agriculture - Child Nutrition Cluster			778,845	778,845
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medicaid Cluster:				
Medical Assistance Program	93.778	----	114,406	114,406
Total U.S. Department of Health and Human Services - Medicaid Cluster			114,406	114,406
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
State Grants for Innovative Program	84.298	043505-C2S1-2005	14,613	10,873
State Grants for Innovative Program	84.298	043505-C2S1-2003	0	76
State Grants for Innovative Program	84.298	043505-C2S1-2004	0	457
Total State Grants for Innovative Program			14,613	11,406
Title I Grants to Local Educational Agencies	84.010	043505-C1S1-2005	521,395	489,985
Title I Grants to Local Educational Agencies	84.010	043505-C1S1-2004	19,460	76,795
Total Title I			540,855	566,780
Safe and Drug-Free Schools and Communities - National Programs	84.184	043505-T4S1-2005	1,250	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	043505-DRS1-2005	11,661	9,902
Safe and Drug-Free Schools and Communities - State Grants	84.186	043505-DRS1-2004	0	5,170
Total Safe and Drug-Free Schools and Communities			12,911	15,072
Special Education Cluster:				
Special Education-Grants to States	84.027	043505-6BSF-2005	609,229	578,318
Special Education-Grants to States	84.027	043505-6BSF-2004	34,610	111,089
Total Special Education Cluster			643,839	689,407
Education Technology State Grants	84.318	043505-TJS1-2005	15,962	15,996
Total Education Technology State Grants			15,962	15,996
Improving Teacher Quality State Grants	84.367	043505-TRS1-2005	182,431	175,763
Improving Teacher Quality State Grants	84.367	043505-TRS1-2004	5,979	21,697
Total Improving Teacher Quality State Grants			188,410	197,460
Advanced Placement Program	84.330	043505-AVS1-2003	164	0
Total Advance Placement Program			164	0
Total U.S. Department of Education			1,416,754	1,496,121
Total Federal Assistance			\$2,310,005	\$2,389,372

The accompanying notes to this Schedule are an integral part of this Schedule.

**ASHLAND CITY SCHOOL DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had no significant food commodities in inventory.

**ASHLAND CITY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505**

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

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

(d)(1)(i)	Type of auditor's report issued on the basic financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the basic financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the basic financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the basic financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Qualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	Yes

**ASHLAND CITY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(CONTINUED)**

(d)(1)(vii)	Major Program:	National School Lunch Program, CFDA # 10.555; Federal School Breakfast, CFDA # 10.553; Food Donation, CFDA # 10.550; and Title I Grants to Local Educational Agencies, CFDA # 84.010.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

Federal Program: Child Nutrition Cluster – Fiscal Year 2005  
 Identification Number: 043505-LLP4-2005, 043505-LLP4-2004, 043505-05PU-2005, and 043505-05PU-2004  
 CFDA Number: 10.550, 10.553, and 10.555  
 Federal Agency: U.S. Department of Agriculture  
 Pass Through Entity: Ohio Department of Education

2005-01

Criteria: 7 CFR 245.6 To qualify a child for meals/milk served free or at reduced price under the program(s), the child's family must annually submit an application to the SFA. The application must be approved and maintained on file. The application establishes that the child's family income and family size place him/her within income eligibility standards issued by the State agency in accordance with guidelines published by FNS.

Condition Found: The District was unable to provide the application in nine out of sixty tested.

Recommendation: The District needs to make sure all application are approved and maintained on file.

**ASHLAND CITY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(CONTINUED)**

Federal Program: Child Nutrition Cluster – Fiscal Year 2005  
Identification Number: 043505-LLP4-2005, 043505-LLP4-2004, 043505-05PU-2005, and 043505-05  
PU-2004  
CFDA Number: 10.550, 10.553, and 10.555  
Federal Agency: U.S. Department of Agriculture  
Pass Through Entity: Ohio Department of Education

2005-02

Criteria: 7 CFR 3015.169 requires a physical inventory of equipment to be taken at least once every two years and reconciled to the equipment records.

Condition Found: The District had not performed a physical inventory of equipment within the last two years.

Recommendation: The District needs to take a physical inventory at least once every two years and make sure it reconciles to the equipment records.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND 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  
AUGUST 15, 2006**