

NORTHMONT CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2005

with

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Trustees
Northmont City School District
4001 Old Salem Road
Englewood, Ohio 45322

We have reviewed the *Independent Auditor's Report* of the Northmont City School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co. 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 Northmont 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

April 26, 2006

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NORTHMONT CITY SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditor's Report

Board of Education
Northmont City School District
4001 Old Salem Rd
Englewood, OH 45322

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmont City School District, as of June 30, 2005, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 20, the District has implemented a new financial reporting standard as required by the provisions of GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Post-employment Benefit Expenditures and Liabilities by Cost Sharing Employers*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 42 through 44, are not a required part of the basic financial statements but are 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 also not a required part of the basic financial statements of the District. The schedule of expenditures of federal awards have 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.

Springfield, Ohio
March 3, 2006

**NORTHMONT CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
(Unaudited)**

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

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$2,607,296 which represents a 30% increase from 2004.
- General revenues accounted for \$44,300,683 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,880,759 or 12% of total revenues of \$50,181,442.
- Total assets of governmental activities increased by \$1,794,788 while cash increased by \$2,551,080. The increase in cash is primarily a result of increased revenue and the District's ability to maintain costs.
- The District had \$47,574,146 in expenses related to governmental activities; only \$5,880,759 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$44,300,683 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting 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 District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

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

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

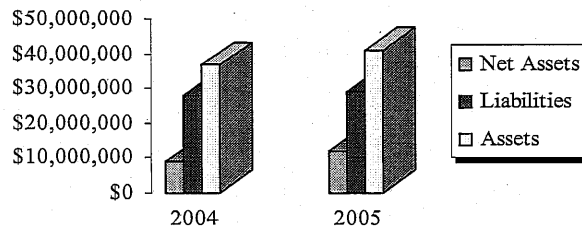
Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*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

The District as a Whole

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

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

	Governmental Activities	
	2004 Restated	2005
Assets		
Current Assets	\$30,238,744	\$32,787,488
Capital Assets	6,499,836	5,745,880
Total Assets	36,738,580	38,533,368
Liabilities		
Long-Term Liabilities	4,038,347	2,868,213
Other Liabilities	23,942,810	24,300,436
Total Liabilities	27,981,157	27,168,649
Net Assets		
Invested in Capital		
Assets Net of Debt	5,462,317	4,722,262
Restricted	1,010,865	1,086,559
Unrestricted	2,284,241	5,555,898
Total Net Assets	\$8,757,423	\$11,364,719



Over time, assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$11,364,719.

At year-end, capital assets represented 15% of total assets. Capital assets include land, buildings and improvements, furniture, fixtures and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, was \$4,722,262. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,086,559, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of \$5,555,898 may be used to meet the District's ongoing obligations to the students and creditors. The external restriction will not affect the availability of fund resources for future use.

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

Table 2
Changes in Net Assets

	Governmental Activities	
	2004 Restated	2005
Revenues		
Program Revenues:		
Charges for Services	\$3,311,189	\$3,368,271
Operating Grants	2,154,732	2,435,004
Capital Grants	28,235	77,484
General Revenue:		
Income Taxes	33,741	0
Property Taxes	19,804,592	20,735,142
Grants and Entitlements	22,073,723	23,094,862
Other	311,201	470,679
Total Revenues	<u>47,717,413</u>	<u>50,181,442</u>
Program Expenses:		
Instruction	27,434,463	28,504,114
Support Services:		
Pupil and Instructional Staff	4,005,150	4,005,207
General and School Administrative, Fiscal and Business	4,673,976	5,074,444
Operations and Maintenance	3,223,867	3,388,146
Pupil Transportation	1,914,658	2,177,520
Central	454,842	461,093
Operation of Non-Instructional Services	2,727,532	2,871,642
Extracurricular Activities	1,150,072	1,049,458
Interest and Fiscal Charges	80,911	42,522
Total Expenses	<u>45,665,471</u>	<u>47,574,146</u>
Change in Net Assets	2,051,942	2,607,296
Beginning Net Assets, Restated	<u>6,705,481</u>	<u>8,757,423</u>
Ending Net Assets	<u><u>\$8,757,423</u></u>	<u><u>\$11,364,719</u></u>

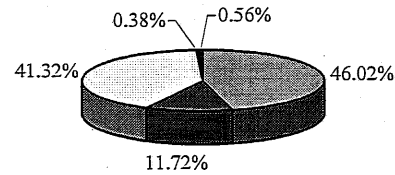
Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 87% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 41% of revenue for governmental activities for the District in fiscal year 2005.

Revenue Sources	2005	Percent of Total
General Grants	\$23,094,862	46.02%
Program Revenues	5,880,759	11.72%
General Tax Revenues	20,735,142	41.32%
Investment Earnings	190,790	0.38%
Other Revenues	279,889	0.56%
	<u>\$50,181,442</u>	<u>100.00%</u>



Instruction comprises 60% of governmental program expenses. Support services expenses were 32% of governmental program expenses. Support services and instruction expenses increased due to an increase in wages. All other expenses and interest expense was 8%. Interest expense was attributable to the outstanding bond and borrowing for capital projects. Property tax revenue increased due to additional amounts available for advance at June 30, 2005.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2004 Restated	2005	2004 Restated	2005
Instruction	\$27,434,463	\$28,504,114	(\$25,652,748)	(\$26,450,710)
Support Services:				
Pupil and Instructional Staff	4,005,150	4,005,207	(3,783,126)	(3,747,745)
General and School Administrative, Fiscal and Business	4,673,976	5,074,444	(4,535,983)	(4,914,243)
Operations and Maintenance	3,223,867	3,388,146	(3,204,478)	(3,388,146)
Pupil Transportation	1,914,658	2,177,520	(1,884,370)	(2,147,875)
Central	454,842	461,093	(433,893)	(436,773)
Operation of Non-Instructional Services	2,727,532	2,871,642	41,165	(67,538)
Extracurricular Activities	1,150,072	1,049,458	(636,971)	(497,835)
Interest and Fiscal Charges	80,911	42,522	(80,911)	(42,522)
Total Expenses	\$45,665,471	\$47,574,146	(\$40,171,315)	(\$41,693,387)

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$31,125,649 (95%) of the total \$32,822,488 governmental funds assets.

General Fund: Fund balance at June 30, 2005 was \$6,010,434 an increase of \$3,123,519 from 2004, including \$2,641,489 of unreserved balance. The primary reasons for the increase in fund balance was the increase in taxes revenue due mainly to taxes available for advance increasing from 2004.

General Fund Budgeting Highlights

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

During the course of fiscal 2005, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$44,268,685, compared to original budget estimates of \$43,842,432. Of this \$426,253 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$1,541,175 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$5,745,880 invested in land, buildings and improvements, furniture, fixtures and equipment and vehicles. Table 4 shows fiscal 2005 balances compared to fiscal 2004:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2004	2005
Land	\$901,562	\$901,562
Building and Improvements	3,070,417	3,098,601
Furniture, Fixtures and Equipment	1,508,453	844,334
Vehicles	1,019,404	901,383
Total Net Capital Assets	<u>\$6,499,836</u>	<u>\$5,745,880</u>

The increase in capital assets is due to \$548,603 in additions, \$230,042 in deletions offset by the recognition of \$1,302,559 in depreciation.

See the notes to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2005, the District had \$908,018 in notes and capital leases payable, \$300,177 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities 2004 Restated	Governmental Activities 2005
Notes Payable:		
Energy Conservation Notes	<u>\$110,000</u>	<u>\$55,000</u>
Subtotal Notes Payable	110,000	55,000
Capital Leases Payable		
Capital Leases	<u>1,187,086</u>	<u>853,018</u>
Subtotal Capital Leases Payable	<u>1,187,086</u>	<u>853,018</u>
Total Outstanding Debt at Year End	<u>\$1,297,086</u>	<u>\$908,018</u>

See the notes to the basic financial statements for further details on the District's long-term obligations.

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, 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 issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandy Harris, Treasurer at Northmont City School District, 4001 Old Salem Road, Englewood, Ohio 45322. Or e-mail Sandy Harris at sharris@northmont.k12.oh.us.

Northmont City School District
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$11,537,652
Receivables:	
Taxes	21,065,652
Intergovernmental	184,184
Nondepreciable Capital Assets	901,562
Depreciable Capital Assets, Net	<u>4,844,318</u>
Total Assets	<u>38,533,368</u>
Liabilities:	
Accounts Payable	778,474
Accrued Wages and Benefits	4,953,521
Accrued Interest Payable	257
Matured Compensated Absences	551,635
Unearned Revenue	17,901,549
Bond Anticipation Notes Payable	115,000
Long-Term Liabilities:	
Due Within One Year	906,361
Due In More Than One Year	<u>1,961,852</u>
Total Liabilities	<u>27,168,649</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	4,722,262
Restricted for:	
Special Revenue	546,111
Debt Service	115,362
Capital Projects	425,086
Unrestricted	<u>5,555,898</u>
Total Net Assets	<u><u>\$11,364,719</u></u>

See accompanying notes to the Basic Financial Statements.

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$20,902,038	\$584,390	\$273,790	\$50,190	(\$19,993,668)
Special	7,239,608	43,697	1,101,337	0	(6,094,574)
Vocational	342,002	0	0	0	(342,002)
Other	20,466	0	0	0	(20,466)
Support Services:					
Pupil	3,201,202	0	168,705	0	(3,032,497)
Instructional Staff	804,005	0	88,757	0	(715,248)
General Administration	75,695	0	0	0	(75,695)
School Administration	3,259,934	0	160,201	0	(3,099,733)
Fiscal	797,755	0	0	0	(797,755)
Business	941,060	0	0	0	(941,060)
Operations and Maintenance	3,388,146	0	0	0	(3,388,146)
Pupil Transportation	2,177,520	245	2,106	27,294	(2,147,875)
Central	461,093	0	24,320	0	(436,773)
Operation of Non-Instructional Serv	2,871,642	2,189,232	614,872	0	(67,538)
Extracurricular Activities	1,049,458	550,707	916	0	(497,835)
Interest and Fiscal Charges	42,522	0	0	0	(42,522)
Totals	\$47,574,146	\$3,368,271	\$2,435,004	\$77,484	(\$41,693,387)

General Revenues:

Property Taxes Levied for:

General Purposes	20,634,189
Capital Projects Purposes	100,953
Grants and Entitlements not Restricted to Specific Programs	23,094,862
Investment Earnings	190,790
Other Revenues	279,889

Total General Revenues 44,300,683

Change in Net Assets 2,607,296

Net Assets Beginning of Year, Restated 8,757,423

Net Assets End of Year \$11,364,719

See accompanying notes to the Basic Financial Statements.

Northmont City School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$10,024,997	\$1,512,655	\$11,537,652
Receivables:			
Taxes	21,065,652	0	21,065,652
Intergovernmental	0	184,184	184,184
Interfund	35,000	0	35,000
Total Assets	31,125,649	1,696,839	32,822,488
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	736,066	42,408	778,474
Accrued Wages and Benefits	4,543,839	409,682	4,953,521
Matured Compensated Absences	551,635	0	551,635
Interfund Payable	0	35,000	35,000
Deferred Revenue	19,168,675	0	19,168,675
Bond Anticipation Notes Payable	115,000	0	115,000
Total Liabilities	25,115,215	487,090	25,602,305
Fund Balances:			
Reserved for Encumbrances	1,471,968	139,617	1,611,585
Reserved for Property Tax Advances	1,896,977	0	1,896,977
Unreserved, Undesignated, Reported in:			
General Fund	2,641,489	0	2,641,489
Special Revenue Funds	0	589,354	589,354
Debt Service Funds	0	115,619	115,619
Capital Projects Funds	0	365,159	365,159
Total Fund Balances	6,010,434	1,209,749	7,220,183
Total Liabilities and Fund Balances	\$31,125,649	\$1,696,839	\$32,822,488

See accompanying notes to the Basic Financial Statements.

Northmont City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2005

Total Governmental Fund Balance		\$7,220,183
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.		5,745,880
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	<u>1,267,126</u>	1,267,126
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(257)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(1,960,195)</u>	(1,960,195)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(908,018)</u>
Net Assets of Governmental Activities		<u>\$11,364,719</u>

See accompanying notes to the Basic Financial Statements.

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$21,243,213	\$100,953	\$21,344,166
Tuition and Fees	580,891	50,634	631,525
Investment Earnings	173,673	17,117	190,790
Intergovernmental	23,365,952	2,241,395	25,607,347
Extracurricular Activities	0	547,517	547,517
Charges for Services	0	2,189,231	2,189,231
Other Revenues	30,603	248,833	279,436
Total Revenues	45,394,332	5,395,680	50,790,012
Expenditures:			
Current:			
Instruction:			
Regular	20,342,451	342,828	20,685,279
Special	5,922,106	1,329,738	7,251,844
Vocational	339,446	0	339,446
Other	20,466	0	20,466
Support Services:			
Pupil	3,231,110	20,605	3,251,715
Instructional Staff	525,473	34,771	560,244
General Administration	75,046	0	75,046
School Administration	3,137,911	143,966	3,281,877
Fiscal	818,736	0	818,736
Business	817,125	0	817,125
Operations and Maintenance	3,390,209	0	3,390,209
Pupil Transportation	1,938,949	2,589	1,941,538
Central	391,678	18,311	409,989
Operation of Non-Instructional Services	1,861	2,833,789	2,835,650
Extracurricular Activities	468,701	549,382	1,018,083
Capital Outlay	417,263	0	417,263
Debt Service:			
Principal Retirement	348,313	40,155	388,468
Interest and Fiscal Charges	36,422	11,467	47,889
Total Expenditures	42,223,266	5,327,601	47,550,867
Excess of Revenues Over (Under) Expenditures	3,171,066	68,079	3,239,145
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	453	0	453
Transfers In	0	48,000	48,000
Transfers (Out)	(48,000)	0	(48,000)
Total Other Financing Sources (Uses)	(47,547)	48,000	453
Net Change in Fund Balance	3,123,519	116,079	3,239,598
Fund Balance Beginning of Year, Restated	2,886,915	1,093,670	3,980,585
Fund Balance End of Year	\$6,010,434	\$1,209,749	\$7,220,183

See accompanying notes to the Basic Financial Statements.

Northmont City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balance - Total Governmental Funds \$3,239,598

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

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	548,603	
Depreciation Expense	<u>(1,302,559)</u>	(753,956)

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

Delinquent Property Taxes	<u>(609,023)</u>	(609,023)
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Repayments of bond principal and capital lease are expenditures in the
 governmental funds, but the repayments reduce long-term
 liabilities in the statement of net assets. 388,468

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 5,367

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

Compensated Absences	<u>336,842</u>	<u>336,842</u>
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Change in Net Assets of Governmental Activities \$2,607,296

See accompanying notes to the Basic Financial Statements.

Northmont City School District
Statement of Assets and Liabilities
Agency Fund
June 30, 2005

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$107,479</u>
Total Assets	<u>\$107,479</u>
Liabilities:	
Other Liabilities	<u>107,479</u>
Total Liabilities	<u>\$107,479</u>

See accompanying notes to the Basic Financial Statements.

**NORTHMONT CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

1. DESCRIPTION OF THE DISTRICT

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 44 square miles. It is located in Montgomery County, and includes all of the Cities of Clayton, Union and Englewood and the Village of Phillipsburg and Clay Township. The School District is the 58th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 311 non-certificated employees, 371 certificated employees, including 24 administrative employees who provide services to 5,949 students and other community members. The School District currently operates nine instructional buildings, one administrative building, and one service center.

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, latchkey and maintenance of District facilities.

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, Salem Christian Academy is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes.

The School District's Board is responsible for appointing one nonvoting member of the Board of Trustees to the Northmont Education Foundation. The School District's accountability does not extend beyond making this appointment, therefore, the Northmont Education Foundation is considered a related organization.

The School District is associated with organizations which are defined as jointly governed organizations and insurance purchasing pools. The jointly governed organizations are the Metropolitan Dayton Educational Cooperative Association (MDECA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA) and the Commodity Co-op managed by Gordon Foods. The insurance purchasing pools are the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP) and the Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

The 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.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the 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 contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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 District.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds (except agency funds) are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of government 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.

Governmental Funds

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

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

Fiduciary Funds

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

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

EQUITY IN POOLED CASH AND INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in repurchase agreements and State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2005 amounted to \$190,790.

CAPITAL ASSETS

All capital assets are valued at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand five hundred dollars (\$1,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20-50 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	8 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u> How Earned	<u>Certified</u> Not Eligible	<u>Administrators</u> 25-30 days per year or 2.08-2.50 per month	<u>Non-Certificated</u> 10-25 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	30 days Payoff up to 10 days/yr. unused earned	Double the max accumulated
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u> How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	249 days	249 days	249 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	25% paid upon retirement (62 days maximum)	30% + 20 days paid upon retirement (85 days maximum)	1/3 paid upon retirement (62 days maximum)

NET ASSETS

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

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

INTERFUND ASSETS/LIABILITIES

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

INTERFUND ACTIVITY

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities.

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

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.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (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.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within two years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2005, the carrying amount of the District's deposits was \$1,836,450 and the bank balances was \$2,260,721. Of the District's bank balance of \$2,260,721, \$500,000 was covered by federal depository insurance and \$1,760,721 was exposed to custodial risk because it was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>
Repurchase Agreement	\$4,048,912
STAROhio	<u>5,759,769</u>
Total Fair Value	<u>\$9,808,681</u>

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to two years. All investments held by the District have a maturity of less than one year.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAA by Standards & Poor’s. Repurchase agreements, which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required in Ohio Revised Code 135.

Concentration of credit risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested in repurchase agreements or STAROhio for 2005. Repurchase agreements and STAROhio comprise 41.3% and 58.7% of the District’s investment portfolio.

4. PROPERTY TAXES

Real property taxes collected in 2005 were levied in April on the assessed values as of January 1, 2004, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2005, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2005. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available 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 June 30, 2005, was \$1,896,977 for General Fund and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2005 operations.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$597,784,310
Public Utility Personal	13,879,240
Tangible Personal Property	<u>23,464,509</u>
Total	<u>\$635,128,059</u>

5. RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, intergovernmental grants and interfund. 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.

6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$901,562	\$0	\$0	\$901,562
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	16,248,631	273,480	0	16,522,111
Furniture, Fixtures and Equipment	5,832,890	127,143	200,558	5,759,475
Vehicles	<u>2,719,264</u>	<u>147,980</u>	<u>29,484</u>	<u>2,837,760</u>
Totals at Historical Cost	<u>25,702,347</u>	<u>548,603</u>	<u>230,042</u>	<u>26,020,908</u>
Less Accumulated Depreciation:				
Buildings and Improvements	13,178,214	245,296	0	13,423,510
Furniture, Fixtures and Equipment	4,324,437	791,262	200,558	4,915,141
Vehicles	<u>1,699,860</u>	<u>266,001</u>	<u>29,484</u>	<u>1,936,377</u>
Total Accumulated Depreciation	<u>19,202,511</u>	<u>1,302,559</u>	<u>230,042</u>	<u>20,275,028</u>
Governmental Activities Capital Assets, Net	<u>\$6,499,836</u>	<u>(\$753,956)</u>	<u>\$0</u>	<u>\$5,745,880</u>

Depreciation expense was charged to governmental functions in the Statement of Activities as follows:

Instruction:		
Regular		\$592,185
Special		8,771
Support Services:		
Pupil		3,108
Instructional Staff		291,836
General Administration		649
School Administration		5,192
Fiscal		239
Business		1,630
Operations and Maintenance		6,938
Pupil Transportation		271,574
Central		50,719
Operation of Non-Instructional Services		37,505
Extracurricular Activities		32,213
Total Depreciation Expense		<u>\$1,302,559</u>

7. NOTES PAYABLE

Activity related to the District's bond anticipation notes payable is presented below:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
Note Payable	2.51%	6/29/05	7/29/05	\$0	\$115,000	\$0	\$115,000

The note is shown as a liability on the fund financial statements in the fund which received the proceeds. The proceeds were used for acquisition of computer equipment.

The bond anticipation notes were used for the purchase of computer equipment.

8. LONG-TERM LIABILITIES

	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds and Notes:					
Energy Conservation 1997 5.60%	\$110,000	0	55,000	55,000	55,000
Capital Leases	<u>1,187,086</u>	<u>0</u>	<u>333,468</u>	<u>853,018</u>	<u>245,177</u>
Total Long-Term Debt	1,297,086	0	388,468	908,018	300,177
Compensated Absences	<u>2,741,861</u>	<u>341,920</u>	<u>1,123,586</u>	<u>1,960,195</u>	<u>606,184</u>
Total Governmental Activities Long-Term Liabilities	<u>\$4,038,947</u>	<u>\$341,920</u>	<u>\$1,512,054</u>	<u>\$2,868,213</u>	<u>\$906,361</u>

Energy Conservation Note will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund and capital projects fund.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds and Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$55,000	\$3,080	\$58,080

9. LEASES

CAPITAL LEASES

The District has leases for school buses, energy conservation equipment, telecommunication equipment and food service equipment.

The District's leases meet the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the General and Permanent Improvement Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year <u>Ending June 30,</u>	Long-Term <u>Debt</u>
2006	\$285,054
2007	125,420
2008	123,659
2009	123,739
2010	123,721
2011-2012	<u>207,285</u>
Total Minimum Lease Payments	988,878
Less: Amount Representing Interest	<u>(135,860)</u>
Present Value of Minimum Lease Payments	<u>\$853,018</u>

Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

Buildings and Improvements	\$420,379
Furniture, Fixtures and Equipment	1,685,095

10. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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 School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. 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, and 2003 were \$1,002,828, \$1,013,292 and \$984,132 respectively; 60% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

STATE TEACHERS RETIREMENT SYSTEM

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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 DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 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 the State Teachers Retirement Board, upon recommendations 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 members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,970,300, \$2,944,500, and \$2,877,576 respectively; 83% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

11. POST EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 1.0% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$212,164 during the 2005 fiscal year. At June 30, 2005, the balance in the fund was \$3.3 billion. For the fiscal year ended June 30, 2005, eligible benefit recipients totaled 115,395. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

For the 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, pro-rated for partial service credit. For the fiscal year, the minimum pay has been established at \$27,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$245,693 during the 2005 fiscal year. The number of participants currently receiving health care benefits is 58,123. For the fiscal year ended June 30, 2005, net health care costs paid by SERS were \$178,221,113. At June 30, 2005 SERS had net assets available for payment of health care benefits of \$267.5 million.

12. OTHER EMPLOYEE BENEFITS

A. Insurance Benefits

The School District provides health insurance through United Health Care. Life insurance, accidental death, and dismemberment insurance is provided to most employees through CoreSource.

B. Retirement Incentive

The School District Board of Education approved a Retirement Incentive program. Participation was open to employees who are eligible, by June 30 of any given year, to retire under the State Teachers Retirement System of Ohio. Employees are required to give written notice to the Superintendent by March 30 of the year he/she first becomes eligible for "full retirement" under the State Teachers Retirement system of Ohio and must do so prior to exceeding 30 years of service with the School District. The Board did not limit the number of employees participating in the plan in any one year. The retirement incentive is equal to \$1,000 times each year of Northmont service, not to exceed \$20,000 provided that such unit member has at least 10 years of Northmont service, five years of which must be consecutive and in a paid status immediately prior to retirement.

13. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2005.

LITIGATION

The District is party to legal proceedings. The District's attorney estimates that the ultimate disposition of these claims against the District would not materially affect the financial statements of the District.

14. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Cooperative Association

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by the majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. During fiscal year 2005, the School District paid MDECA \$180,231 for services provided during the year. Financial information can be obtained from MDECA at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2005, the Northmont City School District paid \$185,690 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Kenneth Swink, who serves as Director, at 303 Corp. Center Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nomination committee selects individuals to run. One at-large non-public representative is elected by the non public school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2005, the School District paid \$29,045 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Commodity Co-op Managed By Gordon Foods

The District is a participant in a commodity co-op managed by Gordon Foods which involves the food service for the District.

15. INSURANCE PURCHASING POOLS

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust

The School District also participates in the EPC Benefit Plan Trust (the Plan), a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. The District paid \$3,893,720 for medical and dental benefits to the Plan during the year.

16. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Southwestern Ohio Educational Purchasing Cooperative for property insurance, fleet insurance and for liability insurance coverage. Coverages provided by the above companies are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$80,578,588
Boiler and Machinery (\$2,500 deductible)	80,578,588
Crime Insurance (\$1,000 deductible)	500,000
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

17. ACCOUNTABILITY

The following individual funds had a deficit in fund balance at year end (includes accrual entries):

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds:	
Mental Health	\$8,462
Management Information System	2,338
Summer School Subsidy	1,881
Title VI-B	10,379
Title I	22,149
Drug-Free Schools	2,628
Title VI-R	9,170
Food Service	55,329

The above funds have deficit fund balances due to the accrual of wages and fringe benefits (GAAP basis of accounting); and also due to the timing of reimbursement for goods and/or services rendered. The general fund is liable for any deficit in any funds and will provide operating transfers when cash is required, not when accruals occur. On the cash basis of accounting, no funds had deficit balances.

18. FUND BALANCE RESERVES FOR SET-ASIDES

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

For fiscal year ended June 30, 2005, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2004	(\$1,187,411)	\$0
Current Year Set-aside Requirement	828,285	828,285
Qualified Disbursements	<u>(889,500)</u>	<u>(2,126,620)</u>
 Total	 (1,248,626)	 (1,298,335)
 Set-Aside Reserve Balance as of June 30, 2005	 <u>\$0</u>	 <u>\$0</u>
 Set Aside Balance Carried Forward to Future Years	 <u>(\$1,248,626)</u>	 <u>\$0</u>

Offset credits for capital activity during the year exceeded the amount required for the set-aside. Qualifying disbursements and carryover from prior years for textbooks totaled \$2,076,911, resulting in \$1,248,626 for carryover to offset textbook requirements in future years.

19. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2005, consisted of the following interfund receivables and interfund payables, transfers in and transfers out:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$35,000	\$0	\$0	\$48,000
Other Governmental Funds	<u>0</u>	<u>35,000</u>	<u>48,000</u>	<u>0</u>
	<u>\$35,000</u>	<u>\$35,000</u>	<u>\$48,000</u>	<u>\$48,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

20. CHANGE IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risk: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments.

For 2005, the District has implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the General and Other Governmental Funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Other Governmental Funds</u>
Fund Balances, June 30, 2004	\$3,235,721	\$1,144,633
GASB Technical Bulletin No. 2004-2	<u>(348,806)</u>	<u>(50,963)</u>
Restated Fund Balance, June 30, 2004	<u>\$2,886,915</u>	<u>\$1,093,670</u>

A prior period adjustment was required to restate capital lease at June 30, 2004 due to a restatement of cost. This restatement had the following effect on net assets at June 30, 2004:

	<u>Governmental Activities</u>
Net assets as previously reported	\$9,177,203
Restatement for capital assets	599
Restatement for capital lease not recorded	<u>(420,379)</u>
Net assets, restated at July 1, 2004	<u>\$8,757,423</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$19,923,859	\$20,117,567	\$20,117,567	\$0
Tuition and Fees	575,298	580,891	580,891	0
Investment Earnings	172,001	173,673	173,673	0
Intergovernmental	23,140,966	23,365,951	23,365,952	1
Other Revenues	30,308	30,603	30,603	0
Total Revenues	43,842,432	44,268,685	44,268,686	1
Expenditures:				
Current:				
Instruction:				
Regular	21,097,429	21,097,779	20,386,577	711,202
Special	7,227,839	7,227,959	6,984,306	243,653
Vocational	348,800	348,806	337,048	11,758
Other	29,492	29,492	28,498	994
Support Services:				
Pupil	3,280,164	3,280,219	3,169,643	110,576
Instructional Staff	541,633	541,642	523,383	18,259
General Administration	135,615	135,618	131,046	4,572
School Administration	3,219,943	3,219,996	3,111,451	108,545
Fiscal	845,301	845,315	816,820	28,495
Business	994,668	994,685	961,154	33,531
Operations and Maintenance	3,802,574	3,802,637	3,674,451	128,186
Pupil Transportation	2,201,881	2,201,917	2,127,691	74,226
Central	398,833	398,840	385,395	13,445
Operation of Non-Instructional Services	1,926	1,926	1,861	65
Extracurricular Activities	484,908	484,916	468,570	16,346
Capital Outlay	703,634	703,646	679,926	23,720
Debt Service:				
Principal Retirement	303,497	303,497	303,497	0
Interest and Fiscal Charges	24,690	24,695	13,632	11,063
Total Expenditures	45,642,827	45,643,585	44,104,949	1,538,636
Excess of Revenues Over (Under) Expenditures	(1,800,395)	(1,374,900)	163,737	1,538,637
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	449	453	453	0
Advances In	36,119	36,470	36,470	0
Advances (Out)	(25,600)	(25,600)	(24,737)	863
Transfers (Out)	(49,674)	(49,675)	(48,000)	1,675
Total Other Financing Sources (Uses)	(38,706)	(38,352)	(35,814)	2,538
Net Change in Fund Balance	(1,839,101)	(1,413,252)	127,923	1,541,175
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	7,689,038	7,689,038	7,689,038	0
Fund Balance End of Year	\$5,849,937	\$6,275,786	\$7,816,961	\$1,541,175

See accompanying notes to the required supplementary information.

NORTHMONT CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2005

1. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2005.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

While the 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 is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual 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 as follows:

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 for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

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>
GAAP Basis	\$3,123,519
Net Adjustment for Revenue Accruals	(1,089,176)
Net Adjustment for Expenditure Accruals	301,614
Encumbrances	<u>(2,208,034)</u>
Budget Basis	<u>\$127,923</u>

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

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Nutritional Cluster:				
Food Distribution Program	NN-N1	10.550	95,075	95,075
National School Breakfast Program	05-PU	10.553	8,738	8,738
National School Lunch Program	04-PU	10.555	<u>371,341</u>	<u>371,341</u>
Total Nutrition Cluster			<u>475,154</u>	<u>475,154</u>
Total U.S. Department of Agriculture			<u>475,154</u>	<u>475,154</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	221,210	221,210
Special Education Cluster:				
Title VI-B Grant	6B-SF	84.027	891,942	891,942
Preschool Disabilities Grant	PG-S1	84.173	<u>6,386</u>	<u>6,386</u>
Total Special Education Cluster			<u>898,328</u>	<u>898,328</u>
Drug Free Schools and Communities	DR-S1	84.186	18,407	17,627
Title VI - Innovative Education Grant	C2-S1	84.298	25,940	24,538
Title II-D - Technology	TJ-S1	84.318	6,045	5,037
Title III - Immigrant	T3-S2	84.365	26,773	18,730
Improving Teacher Quality	TR-S1	84.367	<u>144,594</u>	<u>133,920</u>
Total U.S. Department of Education			<u>1,341,297</u>	<u>1,319,390</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>1,816,451</u>	<u>\$ 1,794,544</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Northmont City School District, Montgomery County
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

1. SIGNIFICANT ACCOUNTING POLICES

The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the Northmont City School District. The schedule has been prepared on the cash basis of accounting.

2. NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported on the schedule of expenditures of federal awards at the market value of the commodities received and consumed. 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.



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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
Northmont City School District
4001 Old Salem Rd
Englewood, OH 45322

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northmont 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 3, 2006, wherein we noted that the District implemented GASB Technical Bulletin 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control 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 operation 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of District, in a separate letter dated March 3, 2006.

This report is intended solely for the information and use of the audit committee, management, 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.

Springfield, Ohio
March 3, 2006



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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
Northmont City School District
4001 Old Salem Rd
Englewood, OH 45322

Compliance

We have audited the compliance of Northmont City School 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 programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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.

In our opinion, the Northmont City School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

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 the audit committee, management, 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.

Springfield, Ohio
March 3, 2006

NORTHMONT CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 § .505
 JUNE 30, 2005

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: CFDA #84.027 CFDA #84.173
(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 RELATED TO THE DISTRICT'S FEDERAL AWARDS

None

NORTHMONT CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005

None



**Auditor of State
Betty Montgomery**

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NORTHMONT CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2006**