

***NORTH COLLEGE HILL
CITY SCHOOL DISTRICT***

HAMILTON COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2005

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





**Auditor of State
Betty Montgomery**

Board of Education
North College Hill City School District
1498 West Galbraith Road
Cincinnati, Ohio 45231

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

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 18, 2006

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NORTH COLLEGE HILL CITY SCHOOL DISTRICT

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Independent Auditor's Report

Board of Education
North College Hill City School District
1498 W. Galbraith Road
Cincinnati, Ohio 45231-5597

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

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

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

As described in Note 3, during the year ended June 30, 2005, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers*.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 24, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Board of Education
North College Hill City School District
Independent Auditor's Report

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 federal awards expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

April 24, 2006

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$200,382 which represents a 2.24% decrease from 2004.
- General revenues accounted for \$11,124,224 in revenue or 85.07% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,952,466 or 14.93% of total revenues of \$13,076,690.
- The District had \$13,277,072 in expenses related to governmental activities; \$1,952,466 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,124,224 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$10,548,557 in revenues and other financing sources and \$10,883,938 in expenditures. During fiscal year 2005, the general fund's fund balance decreased \$335,381 from \$3,872,145 to \$3,536,764.
- The District's permanent improvement fund had \$527,389 in revenues and \$582,208 in expenditures. During fiscal year 2005, the permanent improvement fund's fund balance decreased \$54,819 from \$798,490 to \$743,671.

Using these Basic Financial Statements

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

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

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-44 of this report.

The District as a Whole

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

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

	Net Assets	Net Assets
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$9,136,246	\$9,956,289
Capital assets, net	3,789,068	3,370,935
Total Assets	12,925,314	13,687,224
<u>Liabilities</u>		
Current Liabilities	3,532,904	4,064,460
Long-term liabilities	650,307	680,279
Total Liabilities	4,183,211	4,744,739
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,789,068	3,704,057
Restricted	1,305,243	1,641,492
Unrestricted	3,647,792	3,596,936
Total net assets	\$8,742,103	\$8,942,485

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$8,742,103. Of this total, \$3,647,792 is unrestricted in use.

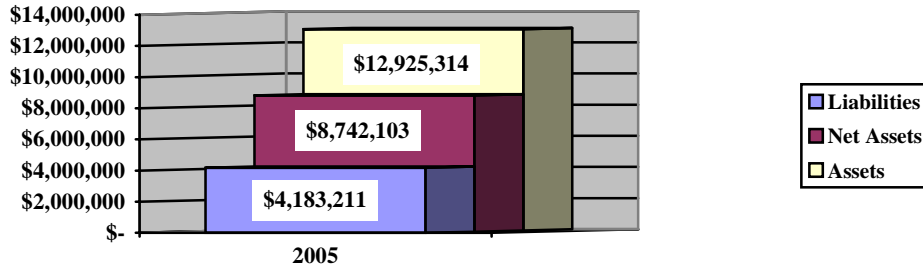
At year-end, capital assets represented 29.32% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$3,789,068. These 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.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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A portion of the District's net assets, \$1,305,243, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,647,792 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



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

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Revenues		
Program revenues:		
Charges for services and sales	\$300,290	\$439,378
Operating grants and contributions	1,611,994	1,488,007
Capital grants and contributions	40,182	63,849
General revenues:		
Property taxes	4,550,616	3,510,810
Grants and entitlements	6,356,142	6,211,784
Investment earnings	116,733	76,679
Other	100,733	24,692
Total revenues	13,076,690	11,815,199

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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	Activities <u>2005</u>	Activities <u>2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,386,789	\$ 4,292,704
Special	1,422,974	1,527,180
Vocational	108,986	115,810
Other	31,953	30,267
Support services:		
Pupil	1,085,526	917,478
Instructional staff	985,996	959,304
Board of education	44,438	59,746
Administration	1,058,762	995,327
Fiscal	306,241	310,104
Business	6,038	6,365
Operations and maintenance	1,499,266	1,174,472
Pupil transportation	271,068	154,864
Central	30,692	18,593
Operations of non-instructional services:		
Food service operations	564,309	554,579
Operations of non-instructional services	145,725	159,622
Extracurricular activities	327,255	480,800
Interest and fiscal charges	<u>1,054</u>	<u>2,203</u>
Total expenses	<u>13,277,072</u>	<u>11,759,418</u>
Change in net assets	(200,382)	55,781
Net assets at beginning of year	<u>8,942,485</u>	<u>8,886,704</u>
Net assets at end of year	<u>\$ 8,742,103</u>	<u>\$ 8,942,485</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$200,382. Total governmental expenses of \$13,277,072 were offset by program revenues of \$1,952,466 and general revenues of \$11,124,224. Program revenues supported 14.71% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 83.41% of total governmental revenue.

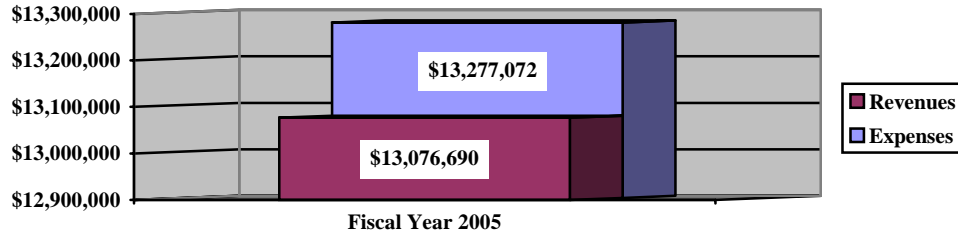
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,950,702 or 52.35% of total governmental expenses for fiscal 2005.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

Governmental Activities - Revenues and Expenses



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

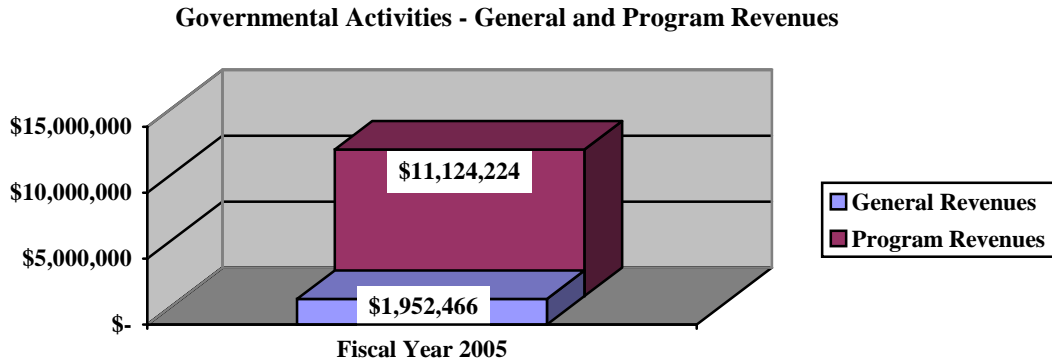
	Governmental Activities			
	Services <u>2005</u>	Services <u>2005</u>	Services <u>2004</u>	Services <u>2004</u>
Program expenses				
Instruction:				
Regular	\$ 5,386,789	\$ 5,162,906	\$ 4,292,704	\$ 3,885,501
Special	1,422,974	1,102,975	1,527,180	1,249,088
Vocational	108,986	108,986	115,810	115,810
Other	31,953	31,953	30,267	30,267
Support services:				
Pupil	1,085,526	755,600	917,478	664,127
Instructional staff	985,996	734,369	959,304	762,348
Board of education	44,438	44,438	59,746	59,746
Administration	1,058,762	1,058,762	995,327	991,124
Fiscal	306,241	306,241	310,104	310,104
Business	6,038	6,038	6,365	6,365
Operations and maintenance	1,499,266	1,499,266	1,174,472	1,174,472
Pupil transportation	271,068	271,068	154,864	154,864
Central	30,692	13,692	18,593	13,103
Food service operations	564,309	(55,539)	554,579	(61,040)
Operations of non-instructional services	145,725	48,919	159,622	(8,522)
Extracurricular activities	327,255	233,878	480,800	418,624
Interest and fiscal charges	1,054	1,054	2,203	2,203
Total expenses	<u>\$ 13,277,072</u>	<u>\$ 11,324,606</u>	<u>\$ 11,759,418</u>	<u>\$ 9,768,184</u>

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

The dependence upon tax and other general revenues for governmental activities is apparent, 92.18% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.29%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2005.



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,081,957, which is lower than last year's total of \$5,460,859. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Fund Balance <u>June 30, 2004</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 3,536,764	\$ 3,872,145	\$ (335,381)	(8.66) %
Permanent Improvement	743,671	798,490	(54,819)	(6.87) %
Other Governmental	<u>801,522</u>	<u>790,224</u>	<u>11,298</u>	1.43 %
Total	<u>\$ 5,081,957</u>	<u>\$ 5,460,859</u>	<u>\$ (378,902)</u>	(6.94) %

General Fund

The District's general fund balance decreased \$335,381. The decrease in fund balance can be attributed to several items related to decreasing revenues and increased expenditures. Expenditures exceed revenues for fiscal year 2005 by \$337,390. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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	<u>2004</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,048,872	\$ 3,135,368	\$ 913,504	29.14 %
Tuition	16,873	161,244	(144,371)	(89.54) %
Earnings on investments	90,314	60,735	29,579	48.70 %
Intergovernmental	6,291,246	6,211,784	79,462	1.28 %
Other revenues	<u>99,243</u>	<u>18,971</u>	<u>80,272</u>	423.13 %
Total	<u>\$ 10,546,548</u>	<u>\$ 9,588,102</u>	<u>\$ 958,446</u>	10.00 %
<u>Expenditures</u>				
Instruction	\$ 6,013,681	\$ 6,001,142	\$ 12,539	0.21 %
Support services	4,631,368	4,013,062	618,306	15.41 %
Non-instructional services	1,074	5,377	(4,303)	(80.03) %
Extracurricular activities	209,883	401,297	(191,414)	(47.70) %
Facilities acquisition and construction	-	560	(560)	100.00 %
Debt service	<u>27,932</u>	<u>22,345</u>	<u>5,587</u>	25.00 %
Total	<u>\$ 10,883,938</u>	<u>\$ 10,443,783</u>	<u>\$ 440,155</u>	4.21 %

Tax revenue decreased as a result of less taxes being available for advance at year-end than in the prior year. Tuition revenue increased due to increased tuition charges for instructional programs offered by the District. Investment earnings decreased due to lower interest rates on applicable investments than in the previous year. Extracurricular expenditures increased due to an increase in extracurricular operations provided by the District in the current year.

Permanent Improvement Fund

The District's permanent improvement fund had \$527,389 in revenues and \$582,208 in expenditures. During fiscal year 2005, the permanent improvement fund's fund balance decreased \$54,819 from \$798,490 to \$743,671.

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 several times. For the general fund, original budgeted revenues and other financing sources were \$10,441,244 and final budgeted revenues and other financing sources were \$9,877,984. Actual revenues and other financing sources for fiscal 2005 was \$10,039,060. This represents a \$161,076 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$11,868,165 were decreased to \$10,825,570 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$10,724,493, which was \$101,077 less than the final budget appropriations.

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

At the end of fiscal 2005, the District had \$3,197,793 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Land	\$ 84,688	\$ 84,688
Land improvements	285,860	69,288
Building and improvements	2,635,131	2,137,830
Furniture and equipment	762,956	919,725
Vehicles	20,433	22,502
Construction in progress	-	496,902
Total	\$ 3,789,068	\$ 3,730,935

The overall increase in capital assets of \$58,133 is due to capital outlays of \$429,196 exceeding depreciation expense of \$356,880 and disposals of \$14,183 (net of accumulated depreciation) in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants, entitlements, and property taxes. Since future grant and entitlement revenue is expected to decrease, the reliance upon local taxes is increasingly important. The voters approved a 3.9 mill operating levy in May, 2005. We are continually evaluating staffing to reduce costs wherever possible, and we will continue to do so even though we passed our operating levy in May.

Another challenge facing the District is the Expedited Local Plan being investigated through the Ohio School Facilities Commission (OSFC). All of our buildings are old and require constant maintenance. They do not meet current building codes. The District ranks approximately 251st on the list. We would like to begin sooner if we have the funds available to possibly do a lease purchase or some other financing arrangement using our existing permanent improvement levy.

The last challenge facing the District is the future of state funding. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The District has anticipated a nominal increase in State funding due to stagnant or slightly declining enrollment. The District loses some students to charter schools. When these students leave, the State funding is also decreased significantly. The District's main challenge is how to keep these students enrolled in our schools. With decreases in State funding, the District has to look for ways to either decrease costs or increase revenues on an ongoing basis.

The District is continually monitoring expenditures to be able to take a proactive stance. All of the District's financial abilities will be needed to meet the upcoming financial challenges.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Sandy Chance, Treasurer, North College Hill City School District, 1498 West Galbraith Road, Cincinnati, Ohio 45231.

**BASIC
FINANCIAL STATEMENTS**

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

STATEMENT OF NET ASSETS
FYE: JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$4,811,559
Receivables:	
Taxes	4,274,280
Accounts	2,165
Intergovernmental	43,659
Loans.	1,997
Materials and supplies inventory	2,586
Capital assets:	
Land and construction in progress	84,688
Depreciable capital assets, net	3,704,380
Total capital assets, net.	3,789,068
 Total assets.	 12,925,314
 Liabilities:	
Accounts payable.	68,108
Accrued wages and benefits	1,013,549
Intergovernmental payable	248,084
Deferred revenue	2,203,163
Long-term liabilities:	
Due within one year.	126,746
Due within more than one year	523,561
 Total liabilities	 4,183,211
 Net Assets:	
Invested in capital assets, net	
of related debt.	3,789,068
Restricted for:	
Capital projects	791,021
Debt service.	16,187
Other purposes	498,035
Unrestricted.	3,647,792
 Total net assets	 \$8,742,103

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FYE: 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	\$5,386,789	\$61,802	\$121,899	\$40,182	(\$5,162,906)
Special	1,422,974	-	319,999	-	(1,102,975)
Vocational	108,986	-	-	-	(108,986)
Other	31,953	-	-	-	(31,953)
Support services:					
Pupil.	1,085,526	13,638	316,288	-	(755,600)
Instructional staff	985,996	-	251,627	-	(734,369)
Board of education	44,438	-	-	-	(44,438)
Administration.	1,058,762	-	-	-	(1,058,762)
Fiscal.	306,241	-	-	-	(306,241)
Business.	6,038	-	-	-	(6,038)
Operations and maintenance	1,499,266	-	-	-	(1,499,266)
Pupil transportation.	271,068	-	-	-	(271,068)
Central	30,692	-	17,000	-	(13,692)
Operation of non-instructional services:					
Food service operations	564,309	131,473	488,375	-	55,539
Other non-instructional services	145,725	-	96,806	-	(48,919)
Extracurricular activities.	327,255	93,377	-	-	(233,878)
Interest and Fiscal Charges	1,054	-	-	-	(1,054)
Total governmental activities	\$13,277,072	\$300,290	\$1,611,994	\$40,182	(11,324,606)

General Revenues:

Property taxes levied for:	
General purposes	4,088,667
Capital projects	461,949
Grants and entitlements not restricted	
to specific programs.	6,356,142
Investment earnings	116,733
Miscellaneous	100,733
Total general revenues.	11,124,224
Change in net assets	(200,382)
Net assets at beginning of year	8,942,485
Net assets at end of year	\$8,742,103

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
FYE: JUNE 30, 2005

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$2,359,592	\$603,096	\$940,760	\$3,903,448
Receivables:				
Taxes.	3,838,113	436,167	0	4,274,280
Accounts	687	0	1,478	2,165
Intergovernmental	4,711	0	38,948	43,659
Interfund receivable	29,511	0	0	29,511
Materials and supplies inventory	2,586	0	0	2,586
Restricted assets:				
Equity in pooled cash and cash equivalents	908,111	0	0	908,111
Total assets	<u><u>\$7,143,311</u></u>	<u><u>\$1,039,263</u></u>	<u><u>\$981,186</u></u>	<u><u>\$9,163,760</u></u>
Liabilities:				
Accounts payable	\$27,536	\$24,760	\$15,812	\$68,108
Accrued wages and benefits	949,678	0	63,871	1,013,549
Intergovernmental payable.	214,565	0	33,519	248,084
Interfund payable.	0	0	27,514	27,514
Deferred revenue.	2,414,768	270,832	38,948	2,724,548
Total liabilities	<u><u>3,606,547</u></u>	<u><u>295,592</u></u>	<u><u>179,664</u></u>	<u><u>4,081,803</u></u>
Fund Balances:				
Reserved for encumbrances	44,661	38,362	120,881	203,904
Reserved for materials and supplies inventory.	2,586	0	0	2,586
Reserved for debt service	0	0	16,187	16,187
Reserved for property tax unavailable for appropriation	1,423,345	165,335	0	1,588,680
Reserved for instructional materials.	106,046	0	0	106,046
Reserved for capital maintenance	433,189	0	0	433,189
Unreserved:				
Designation for budget stabilization	368,876	0	0	368,876
Undesignated, reported in:				
General fund	1,158,061	0	0	1,158,061
Special revenue funds.	0	0	664,454	664,454
Capital projects funds.	0	539,974	0	539,974
Total fund balances	<u><u>3,536,764</u></u>	<u><u>743,671</u></u>	<u><u>801,522</u></u>	<u><u>5,081,957</u></u>
Total liabilities and fund balances	<u><u>\$7,143,311</u></u>	<u><u>\$1,039,263</u></u>	<u><u>\$981,186</u></u>	<u><u>\$9,163,760</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

Total governmental fund balances			\$5,081,957
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,789,068
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes		482,437	
Intergovernmental revenue		<u>38,948</u>	
Total			521,385
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences			<u>(650,307)</u>
Net assets of governmental activities			<u><u>\$8,742,103</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FYE: JUNE 30, 2005

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$4,048,872	\$458,344	\$0	\$4,507,216
Tuition.	16,873	0	138,306	155,179
Charges for services.	0	0	131,473	131,473
Earnings on investments.	90,314	17,229	9,190	116,733
Extracurricular.	0	0	13,638	13,638
Rentals.	5,875	0	0	5,875
Other Revenues.	92,926	0	1,325	94,251
Contributions and Donations	442	0	3,821	4,263
Intergovernmental - Federal	6,291,246	51,816	1,684,849	8,027,911
Total revenue	<u>10,546,548</u>	<u>527,389</u>	<u>1,982,602</u>	<u>13,056,539</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,728,225	0	250,492	4,978,717
Special.	1,144,517	0	281,526	1,426,043
Vocational.	108,986	0	0	108,986
Other.	31,953	0	0	31,953
Support services:				
Pupil.	723,438	0	360,106	1,083,544
Instructional staff	751,399	0	245,841	997,240
Board of education	44,438	0	0	44,438
Administration.	1,044,558	0	4,036	1,048,594
Fiscal	302,202	5,837	0	308,039
Business	6,038	0	0	6,038
Operations and maintenance.	1,490,953	0	10,955	1,501,908
Pupil transportation	265,271	0	245	265,516
Central.	3,071	0	27,548	30,619
Operation of non-instructional services:				
Other non-instructional services.	1,074	0	719,095	720,169
Extracurricular activities.	209,883	0	71,460	281,343
Capital Outlay	0	576,371	0	576,371
Debt service:				
Principal retirement	26,878	0	0	26,878
Interest and fiscal charges	1,054	0	0	1,054
Total expenditures	<u>10,883,938</u>	<u>582,208</u>	<u>1,971,304</u>	<u>13,437,450</u>
Excess of revenues over (under) expenditures	<u>(337,390)</u>	<u>(54,819)</u>	<u>11,298</u>	<u>(380,911)</u>
Other financing sources (uses):				
Sale of Fixed Assets	2,009	0	0	2,009
Total other financing sources (uses)	<u>2,009</u>	<u>0</u>	<u>0</u>	<u>2,009</u>
Net change in fund balances	(335,381)	(54,819)	11,298	(378,902)
Fund balances at beginning of year	<u>3,872,145</u>	<u>798,490</u>	<u>790,224</u>	<u>5,460,859</u>
Fund balances at end of year.	<u>\$3,536,764</u>	<u>\$743,671</u>	<u>\$801,522</u>	<u>\$5,081,957</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FYE: JUNE 30, 2005

Net change in fund balances - total governmental funds		(\$378,902)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$926,098) exceeds depreciation expense (\$356,880) in the current period.		569,218
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, transfers, and donations) is to decrease net assets.		(511,085)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	44,836	
Intergovernmental revenue	(23,249)	
Accrued interest	(1,436)	
Total		20,151
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		26,878
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences	(20,808)	
Pension obligation payable	94,166	
Total		73,358
Change in net assets of governmental activities		<u><u>(\$200,382)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FYE: JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$3,444,315	\$3,451,102	\$3,463,883	\$12,781
Tuition.	149,000	13,779	5,875	(7,904)
Earnings on investments.	100,000	100,000	97,814	(2,186)
Classroom materials and fees	2,000	2,000	16,428	14,428
Other local revenues	15,000	15,000	11,841	(3,159)
Intergovernmental - State	5,648,321	6,213,495	6,286,935	73,440
Total revenue	<u>9,358,636</u>	<u>9,795,376</u>	<u>9,882,776</u>	<u>87,400</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,226,143	4,554,949	4,941,464	(386,515)
Special.	1,427,144	1,355,249	1,196,885	158,364
Vocational.	121,708	130,708	113,158	17,550
Other.	57,866	57,866	31,953	25,913
Support services:				
Pupil.	728,224	760,384	729,251	31,133
Instructional staff	829,167	789,656	752,590	37,066
Board of education	62,373	64,873	44,488	20,385
Administration.	1,014,159	1,011,659	1,003,725	7,934
Fiscal	353,538	331,538	295,895	35,643
Business	3,929	6,129	6,038	91
Operations and maintenance.	1,132,972	1,233,972	1,124,024	109,948
Pupil transportation	176,394	264,694	235,051	29,643
Central.	1,302	2,752	3,053	(301)
Operation of non-instructional services	4,636	4,636	1,666	2,970
Extracurricular activities.	234,870	234,620	216,686	17,934
Facilities acquisition and construction.	24,885	21,885	0	21,885
Total expenditures	<u>11,399,310</u>	<u>10,825,570</u>	<u>10,695,927</u>	<u>129,643</u>
Excess of revenues over (under) expenditures.	(2,040,674)	(1,030,194)	(813,151)	217,043
Other financing sources (uses):				
Refund of prior year expenditure.	0	0	81,529	81,529
Refund of prior year receipts.	0	0	0	0
Transfers in	1,000,000	0	0	0
Transfers (out)	(468,855)	0	0	0
Advances in.	82,608	82,608	72,746	(9,862)
Advances (out)	0	0	(28,566)	(28,566)
Proceeds from sale of capital assets.	0	0	2,009	2,009
Total other financing sources (uses)	<u>613,753</u>	<u>82,608</u>	<u>127,718</u>	<u>45,110</u>
Net change in fund balance	(1,426,921)	(947,586)	(685,433)	262,153
Fund balance at beginning of year.	3,514,174	3,514,174	3,514,174	0
Prior year encumbrances appropriated	291,470	291,470	291,470	0
Fund balance at end of year	<u>\$2,378,723</u>	<u>\$2,858,058</u>	<u>\$3,120,211</u>	<u>\$262,153</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FYE: JUNE 30, 2005

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$32,273	\$28,138
Total assets.	<u>32,273</u>	<u>28,138</u>
Liabilities:		
Accounts payable.	0	125
Loan payable.	0	1,997
Due to students	<u>0</u>	<u>26,016</u>
Total liabilities	<u>0</u>	<u>28,138</u>
Net Assets:		
Held in trust for scholarships	<u>32,273</u>	<u>0</u>
Total net assets	<u><u>\$32,273</u></u>	<u><u>\$28,138</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FYE: JUNE 30, 2005

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$637
Miscellaneous	7,658
Gifts and contributions.	15,800
	24,095
Total additions.	24,095
Deductions:	
Scholarships awarded	18,008
	18,008
Change in net assets	6,087
Net assets at beginning of year	26,186
Net assets at end of year.	\$32,273

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The North College Hill City School District (the "District") was chartered by the Ohio State Legislature in 1832 by state laws enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The District employs 61 non-certified and 115 certified (including administrative) full-time and part-time employees to provide services to approximately 1,557 students in grades K through 12 and various community groups, which ranks it 364 out of approximately 613 public school district in Ohio. It currently operates 3 elementary schools and 1 junior/senior high school (grades 7-12).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

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

JOINTLY GOVERNED ORGANIZATIONS

The Hamilton/Clermont Cooperative Association (HCCA):

The District is a participant in the Hamilton/Clermont Cooperative Association (HCCA) which is a computer consortium. HCCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of HCCA consists of the superintendents and/or treasurers of the participating districts. HCCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the HCCA Board of Education, Al Porter, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

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

Permanent Improvement Fund - A fund used to account for all transactions related to the acquiring, constructing, or improving of permanent improvements as authorized by Chapter 5705, Revised Code.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

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

The 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2005, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2005, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, and U.S. Treasury notes. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private purpose trust funds. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$90,314.

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

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

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

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

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

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

Governmental capital assets are those assets that are specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. 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. The District does not possess infrastructure.

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

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

I. Interfund Balances

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, debt service, instructional materials, capital maintenance, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. A portion of fund balance has also been designated for budget stabilization.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or 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 first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Estimates

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. New GASB Pronouncement

For fiscal year 2005, the District implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*. The implementation of GASB Statement No 40 had some effect on the disclosures requirements, however, there was no effect on the prior period fund balances of the District. The implementation of GASB Technical Bulletin 2004-02 had no effect on the prior period fund balances.

B. Deficit Fund Balances

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

<u>Nonmajor Funds</u>	
Mentor Grant	\$ 14
Disadvantaged Pupil Impact Aid	14,955
Title I	13,804
Drug Free	4,919
Preschool	3,623

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed in the basic financial statements as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

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

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

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

At June 30, 2005, the carrying amount of all District deposits was \$246,257. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2005, \$405,707 of the District's bank balance of \$505,707 was exposed to custodial risk as discussed above while \$100,000 was covered by Federal Deposit Insurance. The \$405,707 exposed to custodial risk was collateralized with securities held by the District or its agency in the District's name.

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

Investment Type	Fair Value	Less Than One Year
STAROhio	\$399,606	\$399,606
Federal Agency Securities	3,361,107	3,361,107
U.S. Treasury Notes	865,000	865,000
Totals	<u>\$4,625,713</u>	<u>\$4,625,713</u>

Interest Rate Risk: Interest rate risk is the risk, that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor's has assigned STAROhio an "AAAm" rating. Moody's has assigned Federal Agency Securities and U.S. Treasury Obligations an "Aaa" rating.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. District policy provides that investment collateral is held by the counter party as trust department or agent, and may be held in the name of the District or not.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2005 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 27,514
General	Agency fund	<u>1,997</u>
Total		<u>\$ 29,511</u>

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

The interfund balance between the general fund and the agency fund is reported as "Loans receivable/payable" on the statement of net assets. This loan is expected to be paid within the subsequent year.

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

NOTE 6 - PROPERTY TAXES

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

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

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

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

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES – (Continued)

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

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

The amount available as an advance at June 30, 2005 was \$1,423,345 in the general fund and \$165,325 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$839,792 in the general fund and \$100,285 in the permanent improvement fund.

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

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

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 134,418,220	97.20	\$ 134,356,510	93.80
Public utility personal	-	-	6,186,700	4.32
Tangible personal property	<u>3,866,920</u>	<u>2.80</u>	<u>2,686,690</u>	<u>1.88</u>
Total	<u>\$ 138,285,140</u>	<u>100.00</u>	<u>\$ 143,229,900</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$	56.27	\$	56.27
Permanent Improvement		3.90		3.90

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 7 - RECEIVABLES

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

Governmental Activities:

Taxes	\$	4,274,280
Accounts		2,165
Intergovernmental		43,659
Loans		1,997
Total	\$	4,322,101

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

NOTE 8 - CAPITAL ASSETS

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

	Balance 06/30/04	Additions	Deductions	Balance 06/30/05
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 84,688	\$ -	\$ -	\$ 84,688
Construction in progress	496,902	-	(496,902)	-
Total capital assets, not being depreciated	581,590	-	(496,902)	84,688
<i>Capital assets, being depreciated:</i>				
Land improvements	154,488	270,316	-	424,804
Buildings and improvements	4,570,056	619,028	-	5,189,084
Furniture and equipment	2,767,573	21,959	(81,026)	2,708,506
Vehicles	96,832	14,795	(43,548)	68,079
Total capital assets, being depreciated	7,588,949	926,098	(124,574)	8,390,473
<i>Less: accumulated depreciation</i>				
Land improvements	(85,200)	(53,744)	-	(138,944)
Buildings and improvements	(2,432,226)	(121,727)	-	(2,553,953)
Furniture and equipment	(1,847,848)	(172,212)	74,510	(1,945,550)
Vehicles	(74,330)	(9,197)	35,881	(47,646)
Total accumulated depreciation	(4,439,604)	(356,880)	110,391	(4,686,093)
Governmental activities capital assets, net	\$ 3,730,935	\$ 569,218	\$ (511,085)	\$ 3,789,068

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

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 111,281
Special	3,138

Support Services:

Pupil	6,947
Instructional staff	3,452
Administration	6,876
Fiscal	685
Operations and maintenance	14,520
Pupil transportation	6,793
Central support	73
Food service operations	580
Community service activities	289
Extracurricular	45,912
Facilities acquisition and construction	<u>156,334</u>

Total depreciation expense	<u>\$ 356,880</u>
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NOTE 9 - LONG-TERM OBLIGATIONS

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

Balance Outstanding <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/05</u>	Amounts Due in <u>One Year</u>
\$ 26,878	\$ -	\$ (26,878)	\$ -	-
<u>653,401</u>	<u>44,736</u>	<u>(47,830)</u>	<u>650,307</u>	<u>126,746</u>
<u>\$ 680,279</u>	<u>\$ 44,736</u>	<u>\$ (74,708)</u>	<u>\$ 650,307</u>	<u>\$ 126,746</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$12,890,691 and an unvoted debt margin of \$143,230.

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

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

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 District contracted with Selective Insurance Company of South Carolina for liability, property and fleet insurance. Coverages provided by Selective Insurance Company of South Carolina are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents	
Replacement cost	\$48,870,100
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	2,000,000
Deductible	2,500
General Liability	
Per occurrence combined single limit	1,000,000
Annual aggregate limit	3,000,000
Medical payments limit	10,000
Employee Benefits Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	3,000,000
Deductible	0
Stop Gap	
Each accident	1,000,000
Disease each employee	1,000,000
Disease policy limit	1,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	3,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	250
Collision deductible	500

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

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 10 - RISK MANAGEMENT – (Continued)

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$190,677, \$130,567, and \$116,850, respectively; 51.85% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$91,812 represents the unpaid contribution for fiscal year 2005.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, 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 the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$734,364, \$705,657, and \$696,335, respectively; 83.33% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$122,409 represents the unpaid contribution for fiscal year 2005. Contributions to the DC and Combined Plans for fiscal 2005 were \$4,702 made by the District and \$13,184 made by plan members.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$56,490 during fiscal 2005.

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

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

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

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2005 were \$178.221 million and the target level was \$267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million and SERS had approximately 58,123 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$85,108 during the 2005 fiscal year.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (685,433)
Net adjustment for revenue accruals	663,772
Net adjustment for expenditure accruals	(188,011)
Net adjustment for other sources/uses	(125,709)
GAAP basis	\$ (335,381)

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

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

NOTE 14 – CONTINGENCIES – (Continued)

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...”. The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 15 - STATUTORY RESERVES

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

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization Designation</u>
Set-aside cash balance as of June 30, 2004	\$ 68,957	\$ 215,795	\$ 368,876
Current year set-aside requirement	217,394	217,394	-
Qualifying disbursements	<u>(180,305)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 106,046</u>	<u>\$ 433,189</u>	<u>\$ 368,876</u>
Cash balance carried forward to FY 2006	<u>\$ 106,046</u>	<u>\$ 433,189</u>	<u>\$ 368,876</u>

A schedule of the restricted/designated assets at June 30, 2005 follows:

Amounts restricted for instructional materials	\$ 106,046
Amounts restricted for capital acquisition	433,189
Amounts designated for budget stabilization	<u>368,876</u>
Total restricted/designated assets	<u>\$ 908,111</u>

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NORTH COLLEGE HILL CITY SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2005

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU 2005	10.553	\$225,228	\$225,228
National School Lunch Program	LL-P4 2005	10.555	280,871	280,871
Total U.S. Department of Agriculture			506,099	506,099
<u>U.S. Department of Education</u>				
<i>Passed Through Great Oaks Institute of Technology</i>				
Vocational Education - ICP Career Grant	754-2005	84.048	2,492	2,492
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2005	84.010	290,699	260,135
Special Education Cluster:				
Special Education - Grants to States	6B-SF 2005 P	84.027	331,732	408,131
Special Education - Preschool Grants	PG-S1-05	84.173	8,561	12,425
			340,293	420,556
Safe and Drug-Free Schools and Communities	DR-S1-05	84.186	7,197	9,630
Innovative Educational Program Strategies	C2-S1 2005	84.298	16,771	9,323
Title II-D	TJ-S1 05	84.318	6,780	6,517
School Improvement	RF-CC 05	84.332	87,212	81,871
Improving Teacher Quality	TR-S1 05	84.367	90,317	75,785
Total U.S. Department of Education			841,761	866,309
<u>U.S. Department of Health and Human Services</u>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
State Children's Insurance Program	n/a	93.767	4,647	4,647
Medical Assistance Program	n/a	93.778	20,400	20,400
Total U.S. Department of Health and Human Services			25,047	25,047
Total Federal Financial Assistance			\$1,372,907	\$1,397,455

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2005, the District received \$63,643 and used \$63,643 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. At June 30, 2005, the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards**

Board of Education
North College Hill City School District
1498 W. Galbraith Road
Cincinnati, Ohio 45231-5597

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North College Hill 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 April 24, 2006. As described in Note 3, during the year ended June 30, 2005, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers*. 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 of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that we did not deem a reportable condition, that we have reported to the management of the District in a separate letter dated April 24, 2006.

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Board of Education
North College Hill City School District
Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

This report is intended for the information and use of the Board of Education, management, 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

April 24, 2006

**Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133**

Board of Education
North College Hill City School District
1498 W. Galbraith Road
Cincinnati, Ohio 45231-5597

Compliance

We have audited the compliance of North College Hill City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The District's major federal program is 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 its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program 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 internal control over compliance in accordance with OMB Circular A-133.

Board of Education
North College Hill City School District
Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133

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

This report is intended for the information and use of the Board of Education, management, 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

April 24, 2006

NORTH COLLEGE HILL CITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2005

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Unqualified
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Programs' Compliance Opinion	Unqualified
8. Are there any reportable findings under § .510?	No
9. Major Programs (list):	Special Education Cluster: CFDA #84.027 Special Education - Grants to States CFDA #84.173 Special Education - Preschool Grant
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.



**Auditor of State
Betty Montgomery**

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**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON 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 30, 2006**