

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2007**

As management of the Fort Thomas Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$2,446,850.
- The board initiated a major construction project to renovate Highlands High School and issued bonds to finance that project during fiscal 2007.
- The General Fund had \$17,594,470 in revenue, excluding interfund transfers, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were \$17,565,102 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt increased by \$219,229 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 7 through 8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 9 through 16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 30 of this report.

#### **DISTRICT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,755,131 as of June 30, 2007.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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**Net Assets for the periods ending June 30, 2007 and 2006**

The following is a summary of net assets for the fiscal years ended June 30, 2007 and 2006.

	<b>2007</b>	<b>2006</b>
Current Assets	\$ 5,721,815	\$ 12,358,331
Non-current Assets	<u>26,667,521</u>	<u>15,773,033</u>
<b>Total Assets</b>	<b><u>\$ 32,389,336</u></b>	<b><u>\$ 28,131,364</u></b>
Current Liabilities	\$ 2,670,581	\$ 2,169,722
Non-current Liabilities	<u>22,963,624</u>	<u>22,538,340</u>
<b>Total Liabilities</b>	<b><u>\$ 25,634,205</u></b>	<b><u>\$ 24,708,062</u></b>
<b>Net Assets</b>		
Invested in capital assets, (net of debt)	\$ 3,355,228	(\$ 7,320,031)
Restricted	3,096,436	9,518,774
Unreserved Fund Balance	<u>303,467</u>	<u>1,224,559</u>
<b>Total Net Assets</b>	<b><u>\$ 6,755,131</u></b>	<b><u>\$ 3,423,302</u></b>

**Comments on Budget Comparisons**

- The District's total general revenues for the fiscal year ended June 30, 2007, net of interfund transfers, were \$17,594,470.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$2,950,123 more than budget or approximately 20 percent. The majority of the difference is the result of the District recording "on behalf" payments made by the state.
- The total cost of all general programs and services was \$17,557,355, net of debt service.
- General fund budget expenditures to actual varied slightly from line item to line item with the ending year to date actual expenditures being \$2,277,689 more than the budget. This is a result of the District recording "on behalf" payments made by the state.

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The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2007 and 2006.

	<b>2007</b>	<b>2006</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$ 1,082,223	\$ 996,735
Operating Grants	1,504,988	1,204,449
Capital Grants	<u>2,838,144</u>	<u>456,098</u>
 Total Grant Revenues	 <u>5,425,355</u>	 <u>2,657,282</u>
General Revenues:		
Taxes	10,046,665	9,529,998
Grants and Entitlements	8,132,786	7,995,628
Earnings on Investments	495,134	243,454
Miscellaneous	<u>381,879</u>	<u>276,636</u>
 Total general revenues	 <u>19,056,464</u>	 <u>18,045,716</u>
 Total revenues	 <u>24,481,819</u>	 <u>20,702,998</u>
 <b>Expenses:</b>		
Instruction	12,597,819	11,999,539
Student Support Services	876,418	895,933
Instructional Support	1,337,777	1,246,020
District Administration	911,205	951,013
School Administration	1,211,323	1,191,445
Business Support	345,009	250,022
Plant Operations	1,973,164	1,869,136
Student Transportation	96,029	85,398
Central Office Support	3,753	2,246
Facilities Acquisition and Construction	70,255	2,373,047
Other	4,062	777
Debt Service	885,095	606,167
Food Service	824,051	826,182
Other Business Activities	<u>14,030</u>	<u>19,736</u>
 Total expenses	 <u>21,149,990</u>	 <u>22,316,661</u>
 <b>Revenue in Excess of Expense</b>	 <u><b>\$ 3,331,829</b></u>	 <u><b>\$ 324,123</b></u>

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$522,917 in contingency (3.5%). The beginning cash balance for the fiscal year was \$2,446,850

Questions regarding this report should be directed to the Superintendent, John Williamson at 859-815-2020, or to the Treasurer, Annette Bemmerer at 859-815-2002 or by mail at Fort Thomas Independent Schools, 28 N. Ft. Thomas Ave., Ft. Thomas, KY 41075.