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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

BETTY MONTGOMERY Auditor of State

Butty Montgomery

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INDEPENDENT ACCOUNTANTS' REPORT

Elida Local School District Allen County 4380 Sunnydale Road Elida, Ohio 45807

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Elida Local School District, Allen County (the School District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Elida Local School District, Allen County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the School District changed their capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2003 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Elida Local School District Allen County Independent Accountants' Report Page 2

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro Auditor of State

January 10, 2003

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COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNT GROUPS JUNE 30, 2002

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	
Assets and Other Debits					
Cash and Cash Equivalents	\$687,967	\$270,723	\$94,570	\$63,396	
Receivables:					
Taxes	7,721,892		237,467		
Accounts	38,320	54			
Accrued Interest	197	67			
Intergovernmental					
Interfund Receivable	45,000				
Prepaid Items	33,242				
Inventory Held for Resale					
Materials and Supplies Inventory					
Restricted Cash	133,179				
Fixed Assets (Net, where applicable,					
of Accumulated Depreciation)					
Amount available in Debt Service Fund					
Amount to be Provided for Retirement of					
General Long-Term Debt					
Total Assets and Other Debits	8,659,797	270,844	332,037	63,396	
Liabilities, Fund Equity and Other Credits Liabilities: Accounts Payable	35,450	3,968		39,048	
Intergovernmental Payable	216,991	8,338		39,040	
Accrued Salaries and Benefits	1,500,179	51,876			
Interfund Payable	1,500,179	45,000			
Due to Students		45,000			
Bonds Payable					
Notes Payable					
Compensated Absences Payable	113,127				
Deferred Revenue	6,883,774		237,467		
Total Liabilities	8,749,521	109,182	237,467	39,048	
Total Elabilitios	0,7 10,021	100,102	201,101	00,010	
Fund Equity and Other Credits: Investment in General Fixed Assets Retained Earnings Fund Balance:					
Reserved for Encumbrances	136,564	19,189		799	
Reserved for Prepaid Items	33,242	•			
Reserved for Debt Service	,		94,570		
Reserved for Property Taxes	838,118		- ,		
Reserved for Budget Stabilization	57,832				
Reserved for Textbooks	75,347				
Designated for Capital Improvements	42,274				
Designated for Textbooks	19,243				
Unreserved Fund Balance	(1,292,344)	142,473		23,549	
Total Fund Equity and Other Credits	(89,724)	161,662	94,570	24,348	
Total Liabilities, Fund Equity	(00,721)	,	2 1,01 0	_ 1,0 10	
and Other Credits	\$8,659,797	\$270,844	\$332,037	\$63,396	

Proprietary Fund Types	Fiduciary Fund Types	Accoun	t Groups	
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
\$69,603	\$124,280			\$1,310,539
27,685 8 29,471	170 38			7,959,359 66,229 310 29,471 45,000 33,242
35,440 3,139				35,242 35,440 3,139 133,179
72,336		18,312,468	94,570	18,384,804 94,570
237,682	124,488	18,312,468	2,648,888 2,743,458	2,648,888 30,744,170
264 26,599 67,826	467 27		114,896	79,197 366,851 1,619,881
37,520	58,235		679,000 909,649 1,039,913	45,000 58,235 679,000 909,649 1,190,560
132,209	58,729		2,743,458	7,121,241 12,069,614
105,473		18,312,468		18,312,468 105,473
	500 65,259			157,052 33,242 94,570 838,118 57,832 75,347 42,274 19,243 (1,061,063)
105,473	65,759	18,312,468		18,674,556
\$237,682	\$124,488	\$18,312,468	\$2,743,458	\$30,744,170

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Part						Fiduciary	
Revenues		G					Totals
Revenues		_	•		•	•	•
Taxos	_	General	Revenue	Service	Projects	Trust	Only)
Tulion and Fees		AT 000 107		0010 551	* 400.005		A7.550.500
Interest				\$212,554	\$109,625		
Interest 65,832 1,329 217 1,694 69,072 1,69			007.040	00.070	50.044		·
Extracurricular Activities 185.457 344 344 344 344 344 344 344 344 344 344 344 344 344 344 344 344 344 345 3	•		•	23,372		1 604	
Rent		05,052			217	1,094	·
Customer Services 344 18,992 18		20 101	100,407				,
Gifts and Donations 70,371 25,566 18,992 18,992 Miscellaneous 16,172,844 840,615 235,926 169,653 20,686 16,439,624 Expenditures: Current: Instruction: Regular 7,886,126 246,566 138,127 8,270,819 Special 1,302,386 183,796 138,127 8,270,819 Adult/Continuing 95,024 36,362 0 9,137 Support Services: 91,37 8,270,819 31,386 Pujls 508,082 561,362 0 9,137 Instruction 391,279 48,848 0 64,218 Instruction 14,361 4,017 1,925 364,528 Business 34,491 1,925 364,528 Business 34,491 1,925 364,528 Business 3,4491 1,925 364,528 Business 3,389 2,529 2,529 4,936 Central Services 2,930		20,101	344				·
Miscellaneous 70,371 25,566 169,653 20,686 16,439,624 16			011			18.992	
Total Revenues		70.371	25.566			,	•
Current Instruction: Regular 7,886,126 246,566 138,127 8,270,819 Special 1,320,386 183,776 133,127 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,544,361 1,544,361 1,544,182 1,5				235,926	169,653	20,686	
Current Instruction: Regular 7,886,126 246,566 138,127 8,270,819 Special 1,320,386 183,776 133,127 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,504,182 1,544,361 1,544,361 1,544,182 1,5	Expenditures:						
Regular 7,886,126 246,566 138,127 8,270,819 Special 1,320,386 183,796 1,36,44 1,504,182 Vocational 95,024 36,362 133,386 133,386 Adult/Continuing 9,137 9,137 9,137 9,137 Support Services: Pupils 508,082 56,136 564,218 14,361 440,127 14,361 440,127 14,361 440,127 14,361 14,361 440,127 1,362,28 17,734,289 18,911 13,911,32 13,911,32 13,911,32 13,911,32 13,911,32 13,911,32 13,911,32 13,911,32 13,911,32 13,911,32 13,911,3							
Special	Instruction:						
Vocational Adult/Continuing 95,024 9,137 36,362 9,137 131,386 9,137 Support Services: Pupils 508,082 1,615,095 56,136 4,848 564,218 4,40,127 Instruction 391,279 48,848 440,127 1,4361 Board of Education 14,361 1,615,955 118,334 4,491 1,925 364,528 364,528 364,528 Business 34,491 1,925 364,528 364,528 364,528 Business 34,491 1,925 364,528 364,528 364,528 Poperation and Maintenance 1,369,551 1,369,555 2,287 2,930 8,389 20,500 105 11,424 961,842 105 105 11,424 Non-Instructional Services 1,807 2,930 8,339 105 11,424 11,424 14,088 20,500 20,529 20,529 20,529 20,529 20,529 20,529 20,529 20,529 20,529 20,529 20,529 20,529 20,530	Regular	7,886,126	246,566		138,127		8,270,819
Adult/Continuing 9,137 9,137 9,137 9,137 9,137 9,137 9,137 9,137 9,137 9,137 9,137 9,137 9,137 9,137 9,137 9,137 1,131	Special	1,320,386	183,796				1,504,182
Support Services: Pupils 508,082 56,136 34,218 14,281 14,361	Vocational	95,024	36,362				131,386
Pupils	Adult/Continuing		9,137				9,137
Name	• •						
Board of Education			•				·
Administration 1,615,955 118,334 4,017 1,925 364,528 Fiscal 358,586 4,017 1,925 364,528 Business 34,491 21,581 1,391,132 Operation and Maintenance 1,369,551 2,287 20,500 961,842 Central Services 2,930 8,389 105 11,242 Non-Instructional Services 18,070 8,397 20,529 46,996 Extracurricular Activities 363,241 147,088 200,529 46,996 Extracurricular Activities 339,829 6,136 345,965 Debt Service: 97 6,136 345,965 Perincipal Interest 37,051 49,000 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources Proceeds from Sale of Long-Term Notes 25,536 25			48,848				·
Fiscal 358,586 4,017 1,925 364,528 Business 34,491 34,491 334,491 Operation and Maintenance 1,369,551 21,581 1,331,132 Transportation 939,055 2,287 20,500 961,842 Central Services 2,930 8,389 105 11,424 Non-Instructional Services 18,070 8,397 20,529 46,996 Extracurricular Activities 363,241 147,088 20,529 46,996 Extracurricular Activities 363,241 147,088 20,529 46,996 Capital Outlay 339,829 6,136 345,965 Debt Service: 200,000 287,836 Interest 37,051 49,000 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: 259,650 25,5							
Business 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,491 34,391,132 34,391,132 34,391,391,392 34,391 34,391 34,391 34,996 34,965		, ,	118,334	4.047	4.005		
Operation and Maintenance 1,369,551 21,581 1,391,132 Transportation 939,055 2,287 20,500 961,842 Central Services 2,930 8,389 105 11,424 Non-Instructional Services 18,070 8,397 20,529 46,996 Extracurricular Activities 363,241 147,088 20,529 46,996 Extracurricular Activities 363,241 147,088 510,329 510,329 Capital Outlay 339,829 6,136 345,965 345,965 Debt Service: Principal 87,836 200,000 287,836 11,701 188,269 20,634 16,709,113 16,709,113 17,701 188,269 20,634 16,709,113 17,701 188,269 20,634 16,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113 18,709,113		358,586	0.4.404	4,017	1,925		·
Transportation 939,055 2,287 20,500 961,842 Central Services 2,930 8,389 105 11,424 Non-Instructional Services 18,070 8,389 20,529 46,996 Extracurricular Activities 363,241 147,088 20,529 46,996 Extracurricular Activities 339,829 6,136 345,965 Debt Service: 7100 287,836 200,000 287,836 Interest 37,051 49,000 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 259,650 259,650 259,650 259,650 259,650 25,536 25,536 25,536 25,536 25,536 25,536 25,536 25,536 25,536 25,536 26,536 285,686 285,686		4 200 554	34,491		04 504		·
Central Services 2,930 8,389 105 11,424 Non-Instructional Services 18,070 8,397 20,529 46,996 Extracurricular Activities 363,241 147,088 510,329 Capital Outlay 339,829 6,136 345,965 Debt Service: Principal 87,836 200,000 287,836 Interest 37,051 49,000 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 259,650 259,650 Proceeds from Sale of Fixed Assets 25,536 500 500 Other Financing Sources 285,186 500 285,686 Other Financing Sources 285,186 500 285,686 Excess (Deficiency) of Revenues and Other Sources 110,668 (58,816) (17,091)	·		2 207				
Non-Instructional Services 18,070 8,397 20,529 46,996 Extracurricular Activities 363,241 147,088 510,329 Capital Outlay 339,829 6,136 345,965 Debt Service: 7rincipal 87,836 200,000 287,836 Interest 37,051 49,000 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 259,650 259,650 Proceeds from Sale of Fixed Assets 25,536 500 500 500 Total Other Financing Sources 285,186 500 285,686 285,686 Excess (Deficiency) of Revenues and Other Sources 285,186 500 285,686 500 285,686 Excess (Deficiency) of Revenues and Other Sources 110,668 (58,816) (17,091) (18,616)	•				20,500	105	·
Extracurricular Activities 363,241 147,088 510,329 Capital Outlay 339,829 6,136 345,965 Debt Service: Principal 87,836 200,000 287,836 Interest 37,051 49,000 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues (174,518) (59,316) (17,091) (18,616) 52 (269,489) (269,48			•				·
Capital Outlay 339,829 6,136 345,965 Debt Service: Principal 87,836 200,000 287,836 Interest 37,051 49,000 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 50 259,650 Proceeds from Sale of Fixed Assets 25,536 500 500 500 Total Other Financing Sources 285,186 500 285,686 285,686 Excess (Deficiency) of Revenues and Other Sources 285,186 500 285,686 285,686 Excess (Deficiency) of Revenues and Other Sources 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418		•				20,020	•
Capital Outlay 339,829 6,136 345,965 Debt Service: Principal 87,836 200,000 287,836 Interest 37,051 49,000 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues Over (Under) Expenditures (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 259,650 Proceeds from Sale of Fixed Assets 25,536 25,536 Other Financing Sources 500 500 Total Other Financing Sources 285,186 500 285,686 Excess (Deficiency) of Revenues and Other Sources 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418		000,241	147,000				010,020
Debt Service: Principal Interest 87,836 37,051 49,000 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues Over (Under) Expenditures (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: 259,650 25,536 Proceeds from Sale of Long-Term Notes 25,536 25,536 Other Financing Sources 259,650 25,536 Other Financing Sources 255,536 25,536 Other Financing Sources 285,186 500 25,636 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures 285,186 500 500 500 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	, ,	339.829			6.136		345.965
Principal Interest 87,836 37,051 200,000 49,000 287,836 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues Over (Under) Expenditures (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 259,650 259,650 Proceeds from Sale of Fixed Assets 25,536 25,536 25,536 25,536 Other Financing Sources 500 500 500 285,686 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	•	,			2,122		2 . 2 , 2 2 2
Interest 37,051 49,000 86,051 Total Expenditures 15,347,362 899,831 253,017 188,269 20,634 16,709,113 Excess (Deficiency) of Revenues Over (Under) Expenditures (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 <		87,836		200,000			287,836
Excess (Deficiency) of Revenues Over (Under) Expenditures (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 Proceeds from Sale of Fixed Assets 25,536 Other Financing Sources Total Other Financing Sources Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	•						·
Over (Under) Expenditures (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 259,650 Proceeds from Sale of Fixed Assets 25,536 25,536 Other Financing Sources 500 500 Total Other Financing Sources 285,186 500 285,686 Excess (Deficiency) of Revenues and Other Sources 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	Total Expenditures	15,347,362	899,831	253,017	188,269	20,634	16,709,113
Over (Under) Expenditures (174,518) (59,316) (17,091) (18,616) 52 (269,489) Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 259,650 Proceeds from Sale of Fixed Assets 25,536 25,536 Other Financing Sources 500 500 Total Other Financing Sources 285,186 500 285,686 Excess (Deficiency) of Revenues and Other Sources 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	Excess (Deficiency) of Powerups						
Other Financing Sources: Proceeds from Sale of Long-Term Notes 259,650 259,650 Proceeds from Sale of Fixed Assets 25,536 25,536 Other Financing Sources 500 500 Total Other Financing Sources 285,186 500 285,686 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	* **	(174 510)	(50.216)	(17.001)	(10 616)	5 0	(260, 490)
Proceeds from Sale of Long-Term Notes 259,650 259,650 Proceeds from Sale of Fixed Assets 25,536 25,536 Other Financing Sources 500 500 Total Other Financing Sources 285,186 500 285,686 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	Over (Onder) Expenditures	(174,518)	(59,316)	(17,091)	(10,010)	52	(209,469)
Proceeds from Sale of Long-Term Notes 259,650 259,650 Proceeds from Sale of Fixed Assets 25,536 25,536 Other Financing Sources 500 500 Total Other Financing Sources 285,186 500 285,686 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	Other Financing Sources:						
Proceeds from Sale of Fixed Assets 25,536 25,536 Other Financing Sources 500 500 Total Other Financing Sources 285,186 500 285,686 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	<u> </u>	259,650					259.650
Other Financing Sources 500 500 Total Other Financing Sources 285,186 500 285,686 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	S .						•
Total Other Financing Sources 285,186 500 285,686 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418			500				
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	ŭ	205 106					
Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	Total Other Financing Sources	200,100	500		_		280,080
Over (Under) Expenditures 110,668 (58,816) (17,091) (18,616) 52 16,197 Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	Excess (Deficiency) of Revenues and Other Sources						
Fund Balances (Deficits) at Beginning of Year (200,392) 220,478 111,661 42,964 65,707 240,418	* ***	110.668	(58.816)	(17.091)	(18.616)	52	16.197
	() F	-,3	(- 3, 3)	, ,/	(-,- : -)		,
Fund Balances (Deficits) at End of Year (\$89,724) \$161,662 \$94,570 \$24,348 \$65,759 \$256,615	Fund Balances (Deficits) at Beginning of Year	(200,392)	220,478	111,661	42,964	65,707	240,418
	Fund Balances (Deficits) at End of Year	(\$89,724)	\$161,662	\$94,570	\$24,348	\$65,759	\$256,615

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COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Governmental Fund Types

		General Fur	doverninental		cial Revenue	e Funds
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$7,182,922	\$7,182,922				
Tuition and Fees	198,598	198,236	(362)			
Intergovernmental	7,587,527	7,587,527		668,432	627,819	(40,613)
Interest	67,500	66,467	(1,033)	2,130	1,452	(678)
Rent	19,185	19,185				
Extracurricular Activities				187,000	185,457	(1,543)
Gifts and Donations						
Customer Services				950	344	(606)
Miscellaneous	56,579	56,349	(230)	25,609	25,511	(98)
Total Revenues	15,112,311	15,110,686	(1,625)	884,121	840,583	(43,538)
Expenditures:						
Current:						
Instruction:						
Regular	7,988,600	7,923,126	65,474	272,062	255,775	16,287
Special	1,319,644	1,319,266	378	244,249	192,572	51,677
Vocational	101,369	100,216	1,153	38,903	38,903	
Adult/Continuing	20		20	12,620	9,170	3,450
Support Services:						
Pupils	540,986	510,183	30,803	56,251	56,251	
Instruction	422,571	401,828	20,743	54,870	50,557	4,313
Board of Education	15,050	14,360	690			
Administration	1,682,607	1,672,666	9,941	121,103	117,828	3,275
Fiscal	373,455	361,003	12,452			
Business	30		30	47,003	34,481	12,522
Operation and Maintenance	1,504,288	1,442,211	62,077			
Transportation	975,440	937,709	37,731	2,540	2,293	247
Central Services	3,190	2,976	214	11,213	8,757	2,456
Non-Instructional Services	21,650	18,311	3,339	9,483	9,436	47
Extracurricular Activities	366,405	363,676	2,729	174,485	157,983	16,502
Capital Outlay	368,584	368,433	151			
Debt Service						
Principal	87,836	87,836				
Interest	38,820	37,051	1,769			
Total Expenditures	15,810,545	15,560,851	249,694	1,044,782	934,006	110,776
Excess (Deficiency) of Revenues Over (Under) Expenditures	(698,234)	(450,165)	248,069	(160,661)	(93,423)	67,238
· , .	(090,234)	(430,103)	240,009	(100,001)	(93,423)	01,230
Other Financing Sources (Uses): Advances In	311,083	311,083		175,941	175,941	
				175,941	175,941	
Proceeds From Sale of Long-Term Notes	259,650	259,650				
Proceeds From Sale of Fixed Assets	25,536	25,536	(100)			
Refund of Prior Year Expenditures	100		(100)	500	500	
Other Financing Sources (Uses)	(70)	(070,000)	70	500	500	20,000
Advances Out	(280,000)	(270,083)	9,917	(150,941)	(130,941)	20,000
Total Other Financing Sources (Uses)	316,299	326,186	9,887	25,500	45,500	20,000
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(381,935)	(123,979)	257,956	(135,161)	(47,923)	87,238
Fund Balances (Deficit) at Beginning of Year Prior Year Encumbrances Appropriated	626,296 132,373	626,296 132,373		256,007 40,023	256,007 40,023	
Fund Balances (Deficit) at End of Year	\$376,734	\$634,690	\$257,956	\$160,869	\$248,107	\$87,238

	aha Camili	Governmental Fund Types Fiduciary Fund Types e Funds Capital Project Funds Expendable Trust Funds						
Revised Budget	ebt Service Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$212,554	\$212,554		\$109,625	\$109,625				
23,373	23,373		82,611 257	91,311 257	8,700	1,677	1,694	17
						19,693	18,958	(735)
235,927	235,927		192,493	201,193	8,700	21,370	20,652	(718)
			155,093	140,244	14,849			
4,018	4,018		1,924 21,581	1,924 21,581				
			20,500	20,500		125 25,830	105 21,030	20 4,800
			6,136	6,136				
200,000 49,000	200,000 49,000							
253,018	253,018		205,234	190,385	14,849	25,955	21,135	4,820
(17,091)	(17,091)		(12,741)	10,808	23,549	(4,585)	(483)	4,102
12,642	12,642							
(12,642)	(12,642)		(86,000)	(86,000)				
			(86,000)	(86,000)				
(17,091)	(17,091)		(98,741)	(75,192)	23,549	(4,585)	(483)	4,102
111,661	111,661		45,239 53,502	45,239 53,502		64,242 1,465	64,242 1,465	
\$94,570	\$94,570	\$0	\$0	\$23,549	\$23,549	\$61,122	\$65,224	\$4,102

COMBINED STATEMENT OF REVENUES EXPENSES AND CHANGES IN FUND EQUITY ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Operating Revenues:	
Sales	\$656,539
Tuition	1,251
Miscellaneous	318
Total Operating Revenue	658,108
Operating Expenses:	
Salaries	343,204
Fringe Benefits	204,676
Materials and Supplies	98,555
Depreciation	13,158
Cost of Sales	405,650
Total Operating Expenses	1,065,243
Operating (Loss)	(407,135)
Non-Operating Revenues: Operating Grants Federal Donated Commodities Interest	263,722 119,568 521
Total Non-Operating Revenues	383,811
Net (Loss)	(23,324)
Retained Earnings at Beginning of Year (Restated)	128,797
Retained Earnings at End of Year	\$105,473

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY-BUDGET (NON-GAAP BASIS) AND ACTUAL ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Revised Budget	Actual	Variance Favorable (Unfavorable)
Daaget	Aotuui	(Omavorable)
\$663,211	\$656,540	(\$6,671)
234,456	234,251	(205)
900	796	(104)
520	289	(231)
899,087	891,876	(7,211)
349,460	345,760	3,700
198,530	198,125	405
7,250	5,393	1,857
439,780	424,154	15,626
20,752	20,709	43
1,015,772	994,141	21,631
(116,685)	(102,265)	14,420
80,000	80,000	
(80,000)	(80,000)	
0	0	
(116,685)	(102,265)	14,420
161,426	161,426	
9,232	9,232	
\$53,973	\$68,393	\$14,420
	\$663,211 234,456 900 520 899,087 349,460 198,530 7,250 439,780 20,752 1,015,772 (116,685) 80,000 (80,000) 0 (116,685) 161,426 9,232	\$663,211 \$656,540 234,456 234,251 900 796 520 289 899,087 891,876 349,460 345,760 198,530 198,125 7,250 5,393 439,780 424,154 20,752 20,709 1,015,772 994,141 (116,685) (102,265) 80,000 80,000 (80,000) 0 (116,685) (102,265) 161,426 161,426 9,232 9,232

COMBINED STATEMENT OF CASH FLOWS ENTERPRISE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Increase (Decrease) in Cash and Cash Equivalents: Cash Flows from Operating Activities:	
Cash Received from Customers	\$656,829
Cash Payments to Suppliers for Goods and Services	(430,037)
Cash Payments to Employees for Services	(345,760)
Cash Payments for Employee Benefits	(198,125)
Net Cash Provided by (Used for) Operating Activities	(317,093)
Cash Flows from Noncapital Financing Activities: Operating Grants Received	234,251
Cash Flows from Investing Activities: Cash Received from Interest	796
Cash Flows from Capital and Related Financing Activities:	(10,000)
Acquisition of Capital Assets	(19,009)
Net Increase (Decrease) in Cash and Cash Equivalents	(101,055)
Cash and Cash Equivalents at Beginning of Year	170,658
Cash and Cash Equivalents at End of Year	69,603
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating Income (Loss)	(407,135)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	13,158
Donated Commodities Used During Year	119,568
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(1,280)
(Increase)/Decrease in Inventory	(8,373)
Increase/(Decrease) in Accounts Payable	(22,039)
Increase/(Decrease) in Accrued Salaries and Benefits	513
Increase/(Decrease) in Compensated Absences Payable Increase/(Decrease) in Intergovernmental Payables	6,992 (548)
Increase/(Decrease) in Donated Commodities	(17,949)
Total Adjustments	90,042
Net Cash Provided by Operating Activities	(\$317,093)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in a prosperous community within Allen County, consisting of and significant office and retail commercial development. The School District is the 194th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 103 non-certificated employees, 168 certificated full-time teaching personnel and 12 administrative employees who provide services to 2,528 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, and 1 garage.

The reporting entity is comprised of the primary government and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Elida Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

Blended Component Unit

The Elida Education Foundation is a component unit that is blended with the primary government. It is blended with the primary government because it is so intertwined with the primary government that it is, in substance, the same as the primary government.

The Elida Education Foundation, Inc. - (the foundation) was organized under the non-profit corporation law of Ohio to operate exclusively for the benefit of the District. The foundation receives and administers donations for educational and public charitable purposes for which the District was formed. The foundation is governed by a five member board of trustees. One trustee shall at all times be a member of the Board of Education, appointed by the Board of Education. One Trustee shall at all times be the Superintendent of the Elida Board of Education and one trustee shall at all times be the Treasurer of the Elida Board of Education. The remaining two Trustees shall be elected at the annual meeting of the Members. The financial statements of the Foundation for the year ended June 30, 2002, are included as an expendable trust fund in the District's financial statements.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District is associated with four jointly governed organizations and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, the West Central Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Allen County Schools Health Benefit Insurance Plan. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Elida Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

2. Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds

Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue.

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the special cost center level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget

Prior to January 15, 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Allen County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, 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 at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

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

D. Estimates

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2002, investments were limited to certificates of deposit and interest in STAR Ohio, the State Treasurer's Investment Pool. All investments of the School District had a maturity of two years or less. Investments are stated at cost which approximates market. Investment earnings are allocated as authorized by State statute.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. 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, 2002.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment earnings are allocated as authorized by State statute. Interest revenue credited to the General Fund during fiscal year amounted to \$65,832, which includes approximately \$15,199 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization and for textbooks. See Note 20 for the calculation of the year-end restricted asset balance for the budget stabilization and textbook reserve and the corresponding fund balance reserves.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for eligible employees in the period the employee becomes eligible to receive payment. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable 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 remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, 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 remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves and Designations

The School District records reservations for portions of fund equity which are legally segregated for 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 are established for encumbrances, prepaid items, property taxes, budget stabilization, textbooks, and debt service. The reserve for budget stabilization represents money required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

The designations for textbooks and capital improvements in the general fund represent revenues set aside that exceed statutorily required amounts.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

3. RESTATEMENT OF FUND EQUITY

Fixed assets and accumulated depreciation in the enterprise funds decreased due to changing the threshold amount for capitalizing fixed assets from five hundred dollars to two thousand dollars. Fixed assets decreased \$56,884, from \$342,285 to \$285,401, and accumulated depreciation decreased \$48,512, from \$267,428 to \$218,916. As a result of the restatement, retained earnings as previously reported as of June 30, 2001, decreased \$8,372, from \$137,169 to \$128,797

The fixed assets reported in the general fixed assets account group decreased \$4,288,342 from \$22,161,314 to \$17,872,972 due to changing the threshold amount for capitalizing fixed assets from five hundred dollars to two thousand dollars. Changes were also made for items classified as buildings and land improvements and amounts were recorded for land improvements not previously recorded.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- 1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
- 4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

GAAP basis - fund balance Adjustment for GAAP basis: Accrued revenues/prepaid	General \$ (89,724)	Special Revenue \$161,662	Debt Service \$ 94,570	Capital Projects \$ 24,348	Expendable Trust \$65,759
expenses Accrued expenditures/	(7,838,652)	(121)	(237,467)	-	(35)
deferred revenue Encumbrances outstanding	8,749,521	109,182	237,467	39,048	-
(budget basis) Budget basis - fund balance	<u>(186,455)</u> <u>\$ 634,690</u>	(22,616) \$248,107	\$ <u>-</u> \$ 94,570	(39,847) \$ 23,549	<u>(500)</u> \$65,224
CAAD basis no	Anima da namaina ma		Enterprise	<u>2</u>	
GAAP basis-re Adjustment for	tained earnings GAAP basis:	3	\$105,473		
Accrued revenues/prepaid expenses Accrued expenses/deferred revenue Inventory			(129,500) 132,208 (38,579)		
Encumbrances basis)	outstanding (b	udget	(1,209)		

\$ 68.393

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Budget basis - fund balance

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 or deposit accounts including passbook accounts.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

5. DEPOSITS AND INVESTMENTS (Continued)

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

- 1. United/States Treasury notes, bills bonds, or other obligations or security issued by the United States or any other obligation guaranteed as to principal and interest by the United States;
- 2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal 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 securities shall be direct issuances of federal government agencies or instrumentalities;
- 3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4. 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 Treasurer's investment pool (STAR Ohio).
- 7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
- 8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$1,510 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

5. DEPOSITS AND INVESTMENTS (Continued)

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$99,159 and the bank balance was \$550,238. Of the bank balance, \$300,000 was covered by federal depository insurance and \$250,238 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments - Investments are required to be categorized into the following:

Category 1 includes investments that are insured or registered or for which the securities are held by the Elida Local School District.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Elida Local School District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Elida Local School District's name.

At year end, the District's only investment was in STAR Ohio, and had a value of \$1,343,049. STAR Ohio is an investment pool operated by the Ohio Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash	
	Equivalents/Deposits	<u>Investments</u>
GASB Statement 9	\$ 1,443,718	\$ -
Cash on Hand	(1,510)	-
Investments:		
STAR Ohio	(1,343,049)	1 ,343,049
GASB Statement 3	\$ 99,159	\$1,343,049

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 100 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

6. PROPERTY TAXES (Continued)

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.

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

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second-Half Collections		2002 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	Percent
Agricultural/Residential				
and Other Real Estate	\$246,102,310	83.69%	\$251,636,650	83.40%
Public Utility	10,907,220	3.71	9,296,660	3.08
Tangible Personal Property	37,055,024	<u>12.60</u>	40,797,097	<u>13.52</u>
Total Assessed Value	\$294,064,554	100.00%	\$301,730,407	<u>100.00%</u>
Tax rate per \$1,000 of				
assessed valuation	\$33.20		\$32.20	

7. RECEIVABLES

Receivables at June 30, 2002, consisted of property income taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds. A summary of the receivables follows:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

7. RECEIVABLES (Continued)

	Amounts	
General Fund		
Taxes	\$7,721,892	
Accounts	38,320	
Accrued Interest	197	
Interfund Receivable	45,000	
Special Revenue Funds		
Accounts	54	
Accrued Interest	67	
Debt Service		
Taxes	237,467	
Enterprise		
Accounts	27,685	
Accrued Interest	8	
Intergovernmental	29,471	
Trust and Agency		
Accounts	170	
Accrued Interest	38	
Total Receivables	<u>\$8,100,369</u>	

8. FIXED ASSETS

A summary of the Proprietary Fund property, plant, and equipment at June 30, 2002, is as follows:

	Balance June 30, 2002
Furniture and Equipment	\$ 294,957
Less: Accumulated Depreciation	
to June 30, 2002	(222,621)
Net Fixed Assets - Proprietary Funds	\$ 72,336

A summary of the general fixed assets follows:

(Restated) Balance at <u>6/30/01</u>	Additions	<u>Deletions</u>	Balance at 6/30/02
\$ 2,366,674	\$ 261,311	\$ (25,540)	\$ 2,602,445
12,812,110	62,740	-	12,874,850
1,003,860	84,849	-	1,088,709
1,690,328	141,382	(85,246)	1,746,464
<u>\$17,872,972</u>	\$ 550,282	<u>\$(110,786</u>)	<u>\$18,312,468</u>
	6/30/01 \$ 2,366,674 12,812,110 1,003,860 1,690,328	Balance at 6/30/01 Additions \$ 2,366,674 \$ 261,311 12,812,110 62,740 1,003,860 84,849 1,690,328 141,382	Balance at 6/30/01 Additions Deletions \$ 2,366,674 \$ 261,311 \$ (25,540) 12,812,110 62,740 - 1,003,860 84,849 - 1,690,328 141,382 (85,246)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance Company for property and general liability insurance and boiler and machinery insurance. Boiler and machinery coverage has \$500 deductible per object. Professional liability is protected by Nationwide Insurance Company with \$1,000,000 each occurrence, \$3,000,000 aggregate limit, plus an additional \$4,000,000 is covered under another commercial umbrella liability policy.

Vehicles are covered by Nationwide Insurance Company and hold a \$100 deductible for comprehensive and \$500 for collisions. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

Public officials bond insurance is provided by the Nationwide Insurance Company and the Buckeye Insurance Company for a total of \$140,000.

B. Worker's Compensation

For fiscal year 2002, the School District participated in the Northwest Ohio Area Computer Services Cooperative Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative 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 of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

C. Employee Medical Benefits

The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal years 2001 and 2000, 4.2 percent and 5.5 percent were used to fund pension obligations, respectively. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$121,741, \$90,863 and \$112,427, respectively; 48.83 percent has been contributed for fiscal year 2002, and 100 percent for the fiscal years 2001 and 2000. \$62,300 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salary. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$737,667, \$731,438, and \$449,394, respectively; 84.58 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$113,919 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

10. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District the amount to fund health care benefits equaled \$349,421 during the 2002 fiscal year. As of June 30, 2001, eligible benefit recipients totaled 102,132. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000.

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

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District the amount to fund health care benefits equaled \$224,491 during the 2002 fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 2001, net health care costs paid by SERS were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn up to twenty days of vacation per year, depending upon length of service. Vacation days are credited to classified employees on an annualized basis. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement at a rate of 25 percent of accumulated sick leave to a maximum of fifty days at the daily rate of pay being received at the time of final service. Accumulated vacation and sick leave of Governmental Fund type employees meeting the eligibility requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current period. The long-term portion is calculated by multiplying the average daily rate of salaries times the estimated sick days to be paid. The estimated sick days to be paid is calculated by multiplying the sick days accumulated at year-end times the ratio of benefits paid. The ratio is determined by evaluating employees who have left in past years and dividing the number of sick days paid by the number of accumulated sick days. Vacation and sick leave for employees paid from the Proprietary Funds is recorded as an expense when earned.

B. Health Care Benefits

The District provides health insurance to most employees through the Health Benefit Plan disclosed in Note 17. Dental insurance is provided by the District to most employees through the Plan which is administered by CoreSource. Life insurance is also provided through CoreSource.

C. Early Retirement Incentive

The School District has approved an early retirement incentive program. Participation in the plan is voluntary. Teachers must participate in the year they become eligible to retire. The certificated employee, in order to be eligible:

- 1. Must have ten or more years of service with Elida Local School District.
- 2. Must have 30 years membership under STRS, or meet the requirement of twenty-five years membership and be at least 55 years of age by June 30; and
- 3. Must retire by the close of the 1999-2000, 2000-2001, or 2001-2002 school year, as eligible.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

13. LONG-TERM DEBT

A. Long-Term Obligations

Long-term obligations of the School District at June 30, 2002, consisted of the following:

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
General Obligation Bonds School Building Construction Interest Rate - 7% Energy Conservation Bonds	\$ 800,000	\$ -	\$200,000	\$ 600,000
School Building Construction Interest Rate 5.35% Energy Conservation Bonds School Building Construction	48,000	-	23,000	25,000
Interest Rate 4.55% Energy Conservation Note School Building Construction	79,000	-	25,000	54,000
Interest Rate 4.65% Land Note Land purchase	689,834	-	39,835	649,999
Interest Rate 3.30%		<u>259,650</u>		<u>259,650</u>
Total Long-Term Bonds and Notes	1,616,834	259,650	287,835	1,588,649
Intergovernmental Payable Compensated Absences Total General Long-Term	114,832 <u>816,169</u>	114,896 <u>223,744</u>	114,832 — -	114,896 <u>1,039,913</u>
Obligations	<u>\$2,547,835</u>	<u>\$598,290</u>	<u>\$402,667</u>	<u>\$2,743,458</u>

General obligation bonds issued February 1, 1980, with an interest rate of 7% will be paid from the debt service fund. Energy Conservation Bonds for school building construction dated September 8, 1992 and July 1, 1993, with interest rates of 5.35% and 4.55% respectively will be paid from the General Fund.

Energy Conservation notes were issued on July 15, 1998, for \$764,180 for the purpose of the improvement and renovation of buildings. The notes were issued for a fifteen year period with the final maturity during fiscal year 2014. The loan will be retired from the General fund.

Land note was issued on December 21, 2001, for \$259,650 at an interest rate of 3.30%. The note was for the purpose of the purchase of land. The note was issued for a five year period with a final maturity during fiscal year 2006. The loan will be retired from the General fund.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

13. LONG-TERM DEBT (Continued)

B. Future Debt Requirements

The annual requirements to amortize all debt outstanding as of June 30, 2002 are as follows:

Year Ending			
June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 357,601	73,267	\$430,868
2004	336,538	55,432	391,970
2005	310,568	38,766	349,334
2006	112,690	29,644	142,334
2007	49,999	21,909	71,908
2008-2012	287,109	72,432	359,541
2013-2014	<u>134,144</u>	9,412	<u>143,556</u>
Total	<u>\$1,588,649</u>	<u>\$300,862</u>	<u>\$1,889,511</u>

14. INTERFUND TRANSACTIONS

As of June 30, 2002, receivables and payables that resulted from various transactions were as follows:

Fund Type/Fund	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 45,000	\$ -
Special Revenue Fund:		
Summer Intervention	_	45,000
Total All Funds	\$ 45,000	\$ 45,000

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below summarizes the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

		Uniform	Total
	Food	School	Enterprise
	Service	<u>Supplies</u>	<u>Funds</u>
Operating Revenues	\$ 560,576	\$ 97,532	\$ 658,108
Operating Expenses			
before Depreciation	959,299	92,786	1,052,085
Depreciation	13,158	-	13,158
Operating Income (Loss)	(411,881)	4,746	(407,135)
Donated Commodities	119,568	-	119,568
Operating Grants	263,722	-	263,722
Interest	521	-	521
Net Income (Loss)	(28,070)	4,746	(23,324)
Fixed Asset Additions	19,009	-	19,009
Fixed Asset Deletions	(9,453)	-	(9,453)
Working Capital	(15,428)	86,085	70,657
Total Assets	151,597	86,085	237,682
Total Equity	19,388	86,085	105,473
Encumbrances Outstanding			
at June 30, 2002	\$ 976	\$ 233	\$ 1,209

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

16. JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Area Computer Services Cooperative - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert and Paulding Counties and Cities of Wapakoneta and St. Marys. 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. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Apollo Joint Vocational School - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

West Central Ohio Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

West Central Ohio Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putman and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up to fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

17. GROUP PURCHASING POOLS

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan - The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

17. GROUP PURCHASING POOLS (Continued)

Allen County Schools Health Benefit Plan - The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under 26 U.S.C. Section 501(c)(9) and provides medical, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, CoreSource, concerning aspects of the administration of the Trust.

Each school district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Board of Trustees and payment of the monthly premium. Financial information can be obtained from Don Smith who serves as chairman, at the Allen County Educational Service Center, 201 North Main Street, Lima, Ohio 45801.

18. DEFICIT FUND BALANCES

As a result of recognizing the application of the accrual basis of accounting, the following funds had a deficit fund equity balance:

General Fund Special Revenue Funds	\$ 89,724
School Improvement	47
Management Information System	6
DPIA	25
Summer Intervention	38,081
Title VIB	14,804
Chapter 2	340
Drug Free Grant	228
Ohio Reads	1
Reducing Class Size	6,587
Learn and Serve	36

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

19. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

19. CONTINGENCIES (Continued)

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

C. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have material effect, if any, on the financial condition of the School District.

20. STATUTORY RESERVES

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

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

Textbook <u>Reserve</u>	Capital Maintenance <u>Reserve</u>	Budget Stabilization <u>Reserve</u>
\$ 89,577	\$ -	\$ 57,832
-	(708,564)	-
327,431	327,431	-
-	(109,625)	-
(341,661)	(456,147)	Ξ
\$ 75,347	\$(946,905)	\$ 57,832
	 ,	
<u>\$ 75,347</u>	<u>\$(946,905</u>)	<u>\$ 57,832</u>
	\$ 89,577 - 327,431 - (341,661) \$ 75,347	Textbook Reserve Maintenance Reserve \$ 89,577 \$ - - (708,564) 327,431 327,431 - (109,625) (341,661) (456,147) \$ 75,347 \$(946,905)

The School District had qualifying disbursements during the year that reduced the set-aside amounts below zero. For capital acquisitions, the extra amount which was a result of capital expenditures from bond or note proceeds, can be used to reduce the set aside requirements of future years. Also, revised code 3315.17 allows for the extra amount to carry over into future years for textbooks.

SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Pass Federal Grantor/ Through **Federal Pass Through Grantor Entity CFDA** Non-Cash Non-Cash **Program Title** Number Number Receipts Receipts Disbursements Disbursements U.S. DEPARTMENT OF AGRICULTURE (Passed through Ohio Department of Education) **Nutrition Cluster:** National School Breakfast Program 045773-05PU 10.553 \$26,972 \$26,972 National School Lunch Program 045773-LLP4 10.555 192,917 192,917 Food Distribution Program 10.550 101,619 90,567 Total U.S. Department of Agriculture - Nutrition Cluster 219,889 101,619 219,889 90,567 U.S. DEPARTMENT OF EDUCATION (Passed through Ohio Department of Education) Title VI-B Handicapped 045773-6B-SF-01P 7,051 84.027 Title VI-B Handicapped 045773-6B-SF-02P 84.027 166.225 162.954 Total 166,225 170,005 Assistive Technology Infusion Project 045773-ATS1-2002 84.352A 350 350 **Technology Literacy Grant** 045773-TF-43-01P 84.318 10,402 Title 1 045773-C1-S1-01 13,764 51,478 84.010 Title 1 045773-C1-S1-02 144,473 84.010 196,154 Total 209,918 195,951 Title VI-R - Classroom Reduction 045773-CR-S1-2001 84.340 19,487 Title VI-R - Classroom Reduction 045773-CR-S1-2002 84.340 86,418 82,578 Total 86,418 102,065 **Drug Free Schools** 045773-DR-S1-2002 84.186 10,772 10,772 Eisenhower Professional Development 045773-MS-S1-02 84.281 16,068 9,855 84.298 Title VI - Innovative Education Program 045773-C2-S1-01 1,461 Title VI - Innovative Education Program 045773-C2-S1-02 84.298 14,169 14,169 Total 14,169 15,630 Total U. S. Department of Education 503,920 515,030 CORPORATION FOR NATIONAL SERVICE (Passed through Ohio Department of Education) Learn and Serve Grant 045773-SV-S5-02 30,000 94.004 30,000 Learn and Serve Grant 045773-SV-S5-01 94.004 6,807 Total 30,000 36,807 **Total Federal Assistance** \$753,809 \$101,619 \$771,726 \$90,567

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had \$29,001 in donated food commodity inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the School District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal matching funds is not included on the Schedule.

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Elida Local School District Allen County 4380 Sunnydale Road Elida, Ohio 45807

To Board of Education:

We have audited the financial statements of the Elida Local School District, Allen County (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated January 10, 2003, wherein we noted the School District's asset capitalization threshold changed. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated January 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 10, 2003.

Elida Local School District Allen County Independent Accountants' Report on Compliance and on Internal Control Required by *Government Auditing Standards* Page 2

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

Jim Petro Auditor of State

January 10, 2003



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Elida Local School District Allen County 4380 Sunnydale Road Elida, Ohio 45807

To the Board of Education:

Compliance

We have audited the compliance of the Elida Local School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School 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 School 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the School District in a separate letter dated January 10, 2003.

Internal Control Over Compliance

The management of the School 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 School 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.

Elida Local School District
Allen County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control Over Compliance
In Accordance with OMB Circular A-133
Page 2

Internal Control Over Compliance (Continued)

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

Jim Petro Auditor of State

January 10, 2003

SCHEDULE OF FINDINGS OMB CIRCULAR A -133 § .505 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non- compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA' #s 10.550, 10.553, and 10.555; and Title I, Part A, ESEA: CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SCHEDULE OF PRIOR AUDIT FINDINGS OMB CIRCULAR A -133 § .315 (b) FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Finding <u>Number</u>	Finding <u>Summary</u>	Fully <u>Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10202-001	Fixed Asset Management	No	Partially corrected - revised and placed in the management letter.
2001-10202-002	34 CFR Section 80.32(d)(1) – Equipment and Property Management	Yes	



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ELIDA LOCAL SCHOOL DISTRICT

ALLEN 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.

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED FEBRUARY 27, 2003