



**Auditor of State
Betty Montgomery**

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Edon Northwest Local School District
Williams County
309 West Indiana Street
Edon, Ohio 43518-9620

To the Board of Education

We have audited the accompanying general-purpose financial statements of the Edon Northwest Local School District (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 the Edon Northwest Local School District as of June 30, 2003, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

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

Betty Montgomery
Auditor of State

December 18, 2003

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**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,289,663	\$172,510	\$334,177	\$8,779,884
Receivables:				
Taxes	1,180,670	25,335	333,651	102,513
Accounts	17,516			
Intergovernmental		20,777		4,653,035
Materials and Supplies Inventory	23,480	8,031		
Prepaid Items	8,653			2,901
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	12,306			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	<u>\$4,532,288</u>	<u>\$226,653</u>	<u>\$667,828</u>	<u>\$13,538,333</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$48,398	\$16,461			\$12,641,093
				1,642,169
154	115			17,785
				4,673,812
6,386				37,897
				11,554
				12,306
113,274 (104,230)		\$12,828,092		12,941,366 (104,230)
			\$334,177	334,177
			4,493,904	4,493,904
<u>\$63,982</u>	<u>\$16,576</u>	<u>\$12,828,092</u>	<u>\$4,828,081</u>	<u>\$36,701,833</u>

(Continued)

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003
(Continued)

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$27,566	\$8		\$1,859
Contracts Payable				866,111
Accrued Wages and Benefits	344,132	22,559		
Compensated Absences Payable	4,319			
Intergovernmental Payable	58,009	3,325		
Deferred Revenue	1,096,936	29,594	\$319,695	4,748,570
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>1,530,962</u>	<u>55,486</u>	<u>319,695</u>	<u>5,616,540</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	411,424	14,969		9,401,826
Reserved for Inventory	23,480	8,031		
Reserved for Prepaid Items	8,653			2,901
Reserved for Debt Service Principal			334,177	
Reserved for Property Taxes	83,734		13,956	6,978
Reserved for Textbooks & Instructional Materials	10,237			
Reserved for Budget Stabilization	2,069			
Unreserved, Undesignated	2,461,729	148,167		(1,489,912)
Total Fund Equity and Other Credits	<u>3,001,326</u>	<u>171,167</u>	<u>348,133</u>	<u>7,921,793</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$4,532,288</u>	<u>\$226,653</u>	<u>\$667,828</u>	<u>\$13,538,333</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
				\$29,433
				866,111
\$11,647				378,338
4,685			\$438,661	447,665
8,178			34,420	103,932
				6,194,795
	\$16,576			16,576
			4,355,000	4,355,000
<u>24,510</u>	<u>16,576</u>		<u>4,828,081</u>	<u>12,391,850</u>
		\$12,828,092		12,828,092
39,472				39,472
				9,828,219
				31,511
				11,554
				334,177
				104,668
				10,237
				2,069
				1,119,984
<u>39,472</u>		<u>12,828,092</u>		<u>24,309,983</u>
<u>\$63,982</u>	<u>\$16,576</u>	<u>\$12,828,092</u>	<u>\$4,828,081</u>	<u>\$36,701,833</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$3,069,356	\$280,933
Interest	77,488	78
Tuition and Fees	275,333	
Rent	300	
Extracurricular Activities	2,655	68,749
Gifts and Donations	2,200	6,754
Customer Services	2,741	725
Property and Other Local Taxes	1,241,877	46,542
Miscellaneous	22,401	910
Total Revenues	<u>4,694,351</u>	<u>404,691</u>
Expenditures:		
Instruction:		
Regular	2,113,625	76,521
Special	231,239	143,560
Vocational	157,537	
Adult/Continuing	3,208	
Other	1,248	
Support services:		
Pupils	185,888	8,542
Instructional Staff	211,348	20,450
Board of Education	10,322	
Administration	428,482	29,517
Fiscal	186,718	2,213
Business	8,912	
Operation and Maintenance of Plant	463,386	2,047
Pupil Transportation	364,396	
Central	168,437	10,554
Non-Instructional Services	22,963	35,787
Extracurricular activities	130,426	71,987
Capital Outlay	105,945	
Debt Service:		
Principal		
Interest		
Total Expenditures	<u>4,794,080</u>	<u>401,178</u>
Excess of Revenues Over (Under) Expenditures	<u>(99,729)</u>	<u>3,513</u>
Other Financing Sources (Uses)		
Proceeds from Sale of Fixed Assets	452	
Refund of Prior Year Expenditures	5	
Other Financing Sources	2,464	2,500
Operating Transfers Out	(7,100)	
Refund of Prior Year Receipts	(76)	(344)
Total Other Financing Sources (Uses)	<u>(4,255)</u>	<u>2,156</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(103,984)	5,669
Fund Balance at Beginning of Year	<u>3,105,310</u>	<u>165,498</u>
Fund Balance at End of Year	<u>\$3,001,326</u>	<u>\$171,167</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	
\$36,744	\$5,963,998 90,807	\$9,351,031 168,373 275,333 300 71,404 8,954 3,466
340,093	103,610	1,732,122 23,311
<u>376,837</u>	<u>6,158,415</u>	<u>11,634,294</u>
	29,502	2,219,648 374,799 157,537 3,208 1,248
	1,349	195,779 231,798 10,322 457,999
8,317	2,592	199,840 8,912 465,433 364,396
	10,500	189,491 58,750 202,413
	4,834,218	4,940,163
125,000		125,000
<u>220,322</u>		<u>220,322</u>
<u>353,639</u>	<u>4,878,161</u>	<u>10,427,058</u>
<u>23,198</u>	<u>1,280,254</u>	<u>1,207,236</u>
		452 5 4,964 (7,100) (420)
		<u>(2,099)</u>
23,198	1,280,254	1,205,137
<u>324,935</u>	<u>6,641,539</u>	<u>10,237,282</u>
<u>\$348,133</u>	<u>\$7,921,793</u>	<u>\$11,442,419</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$3,173,865	\$3,069,356	(\$104,509)
Interest	103,100	77,488	(25,612)
Tuition and Fees	138,800	275,264	136,464
Rent	500	300	(200)
Extracurricular Activities	3,400	2,655	(745)
Gifts and Donations	2,750	2,200	(550)
Customer Services	1,735	2,741	1,006
Property and Other Local Taxes	1,175,519	1,218,679	43,160
Miscellaneous	65,810	4,954	(60,856)
Total Revenues	4,665,479	4,653,637	(11,842)
Expenditures:			
Current:			
Instruction:			
Regular	2,295,861	2,117,558	178,303
Special	322,906	232,705	90,201
Vocational	180,479	170,477	10,002
Adult/Continuing	10,000	3,208	6,792
Other	73,000	1,248	71,752
Support services:			
Pupils	341,280	177,072	164,208
Instructional Staff	290,833	215,882	74,951
Board of Education	22,000	9,984	12,016
Administration	677,037	425,854	251,183
Fiscal	221,222	186,907	34,315
Business	80,000	9,369	70,631
Operation and Maintenance of Plant	851,818	462,775	389,043
Pupil Transportation	525,872	362,664	163,208
Central	227,136	171,394	55,742
Non-Instructional Services	2,000	216	1,784
Extracurricular activities	146,000	129,583	16,417
Capital Outlay	1,489,117	513,846	975,271
Debt Service:			
Principal			
Interest			
Total Expenditures	7,756,561	5,190,742	2,565,819
Excess of Revenues Over (Under) Expenditures	(3,091,082)	(537,105)	2,553,977
Other Financing Sources (Uses)			
Operating Transfer In	(195)		195
Proceeds from Sale of Fixed Assets	500	452	(48)
Refund of Prior Year Expenditures		13,303	13,303
Other Financing Sources	4,000	2,464	(1,536)
Operating Transfer Out	(7,100)	(7,100)	
Refund of Prior Year Receipts	(1,000)	(76)	924
Advances Out	(52,900)		52,900
Other Financing Uses	(244,252)		244,252
Total Other Financing Sources (Uses)	(300,947)	9,043	309,990
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,392,029)	(528,062)	2,863,967
Fund Balance at Beginning of Year	3,243,421	3,243,421	
Prior Year Encumbrances Appropriated	148,607	148,607	
Fund Balance at End of Year	(\$1)	\$2,863,966	\$2,863,967

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$286,075 78	\$285,847 78	(\$228)	\$39,669	\$36,744	(\$2,925)
68,814	68,952	138			
6,601	6,754	153			
707	725	18			
45,438	46,542	1,104	322,105	336,226	14,121
910	910				
<u>408,623</u>	<u>409,808</u>	<u>1,185</u>	<u>361,774</u>	<u>372,970</u>	<u>11,196</u>
97,982	76,782	21,200			
154,314	149,055	5,259			
26,844	10,831	16,013			
41,867	27,787	14,080			
31,964	30,434	1,530			
4,430	2,285	2,145	17,000	8,317	8,683
70,230	2,047	68,183			
10,704	10,554	150			
35,608	35,608				
104,528	76,742	27,786			
			125,000	125,000	
			<u>534,620</u>	<u>220,322</u>	<u>314,298</u>
<u>578,471</u>	<u>422,125</u>	<u>156,346</u>	<u>676,620</u>	<u>353,639</u>	<u>322,981</u>
<u>(169,848)</u>	<u>(12,317)</u>	<u>157,531</u>	<u>(314,846)</u>	<u>19,331</u>	<u>334,177</u>
2,500	2,500				
(344)	(344)				
<u>2,156</u>	<u>2,156</u>				
(167,692)	(10,161)	157,531	(314,846)	19,331	334,177
130,089	130,089		314,846	314,846	
37,603	37,603				
<u><u>\$157,531</u></u>	<u><u>\$157,531</u></u>		<u><u>\$334,177</u></u>	<u><u>\$334,177</u></u>	

(Continued)

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)**

	<u>Capital Projects</u>		Variance: Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$5,960,394	\$5,963,998	\$3,604
Interest	91,600	90,807	(793)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes	97,893	101,677	3,784
Miscellaneous			
Total Revenues	<u>6,149,887</u>	<u>6,156,482</u>	<u>6,595</u>
Expenditures:			
Current:			
Instruction:			
Regular	107,966	106,521	1,445
Special			
Vocational			
Adult/Continuing			
Other			
Support services:			
Pupils	4,814	1,349	3,465
Instructional Staff	2,000	1,164	836
Board of Education			
Administration			
Fiscal	4,100	2,592	1,508
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central	13,800	10,500	3,300
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	12,735,521	14,227,185	(1,491,664)
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>12,868,201</u>	<u>14,349,311</u>	<u>(1,481,110)</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,718,314)</u>	<u>(8,192,829)</u>	<u>(1,474,515)</u>
Other Financing Sources (Uses)			
Operating Transfer In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Other Financing Sources			
Operating Transfer Out			
Refund of Prior Year Receipts			
Advances Out			
Other Financing Uses			
Total Other Financing Sources (Uses)	<u> </u>	<u> </u>	<u> </u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(6,718,314)</u>	<u>(8,192,829)</u>	<u>(1,474,515)</u>
Fund Balance at Beginning of Year	5,979,535	5,979,535	
Prior Year Encumbrances Appropriated	738,779	738,779	
Fund Balance at End of Year	<u> </u>	<u>(\$1,474,515)</u>	<u>(\$1,474,515)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Totals (Memorandum Only)

Budget	Actual	Variance: Favorable (Unfavorable)
\$9,460,003	\$9,355,945	(\$104,058)
194,778	168,373	(26,405)
138,800	275,264	136,464
500	300	(200)
72,214	71,607	(607)
9,351	8,954	(397)
2,442	3,466	1,024
1,640,955	1,703,124	62,169
66,720	5,864	(60,856)
11,585,763	11,592,897	7,134
2,501,809	2,300,861	200,948
477,220	381,760	95,460
180,479	170,477	10,002
10,000	3,208	6,792
73,000	1,248	71,752
372,938	189,252	183,686
334,700	244,833	89,867
22,000	9,984	12,016
709,001	456,288	252,713
246,752	200,101	46,651
80,000	9,369	70,631
922,048	464,822	457,226
525,872	362,664	163,208
251,640	192,448	59,192
37,608	35,824	1,784
250,528	206,325	44,203
14,224,638	14,741,031	(516,393)
125,000	125,000	
534,620	220,322	314,298
21,879,853	20,315,817	1,564,036
(10,294,090)	(8,722,920)	1,571,170
(195)		195
500	452	(48)
	13,303	13,303
6,500	4,964	(1,536)
(7,100)	(7,100)	
(1,344)	(420)	924
(52,900)		52,900
(244,252)		244,252
(298,791)	11,199	309,990
(10,592,881)	(8,711,721)	1,881,160
9,667,891	9,667,891	
924,989	924,989	
(\$1)	\$1,881,159	\$1,881,160

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003

	Enterprise
Operating Revenues:	
Sales	\$158,474
Other Revenues	594
Total Operating Revenues	159,068
Operating Expenses:	
Salaries	88,914
Fringe Benefits	17,261
Purchased Services	1,167
Materials and Supplies	151,709
Depreciation	3,518
Other Expenses	2,099
Total Operating Expenses	264,668
Operating Loss	(105,600)
Non-Operating Revenues (Expenses)	
Federal Donated Commodities	35,396
Interest	1,251
Federal and State Subsidies	50,454
Loss on Sale of Fixed Assets	(7)
Total Non-Operating Revenues (Expenses)	87,094
Net Loss	(18,506)
Retained Earnings at Beginning of Year	57,978
Retained Earnings at End of Year	\$39,472

The notes to the general-purpose financial statements are an integral part of this statement.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003

	Enterprise
Decrease in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$158,320
Other Cash Receipts	594
Cash Payments to Suppliers for Goods and Services	(119,966)
Cash Payments for Contract Services	(1,167)
Cash Payments for Employee Services	(93,851)
Cash Payments for Employee Benefits	(14,119)
Other Cash Payments	(2,099)
Net Cash Used by Operating Activities	(72,288)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	50,454
Net Cash Provided by Noncapital Financing Activities	50,454
Cash Flows from Investing Activities:	
Interest Received	1,251
Net Cash Provided by Investing Activities	1,251
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(721)
Net Cash Used by Capital and Related Financing Activities	(721)
Net Decrease in Cash and Cash Equivalents	(21,304)
Cash and Cash Equivalents at Beginning of Year	69,702
Cash and Cash Equivalents at End of Year	\$48,398

(Continued)

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)**

	Enterprise
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(\$105,600)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:	
Depreciation	3,518
Donated Commodities Used During the Year	35,396
Adjustments to Capital Outlay	721
(Increase) Decrease in Assets:	
Accounts	(154)
Material and Supplies Inventory	(2,038)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(4,715)
Intergovernmental Payable	3,090
Deferred Revenue	(2,336)
Accrued Wages and Benefits	(170)
Total Adjustments	33,312
Net Cash Used by Operating Activities	(\$72,288)

The Food Service Fund consumed donated commodities with a value of \$35,396. The use of these commodities is reflected as an operating expense.

The notes to the general-purpose financial statements are an integral part of this statement.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Edon Northwest Local School District (the District) operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board oversees the operations of the District's two instructional/support facilities.

The Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with seven organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwest Ohio Educational Research Council, Inc., the Cisco Academy of Northwest Ohio, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 12, 13 and 14 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Edon Northwest 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 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 District's accounting policies are described below.

A. 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 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.

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All proprietary 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. Proprietary fund type 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 and agency funds. The full accrual basis of accounting is followed by the enterprise funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are 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 District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized on the modified accrual basis in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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 revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue on the modified accrual basis.

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 proprietary fund type utilizes the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported

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on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The agency funds are custodial in nature and do not present results of operations or have measurement focus.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

GOVERNMENTAL FUNDS

The funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - The funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

Capital Projects Funds - The funds 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).

FIDUCIARY FUNDS

The funds used to account for assets not owned by the Board, but held for a separate entity.

Agency Funds - The funds used to account for assets held by the District as an agent.

PROPRIETARY FUNDS

The funds used to account for Board activities that are similar to business operations in the private sector.

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Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

ACCOUNT GROUPS

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits 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. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. By October 1, the annual appropriation measure for all funds is legally enacted by the Board of Education. The appropriation measure, by law, may not exceed the Certificate of Estimated Resources. The Certificate may be amended to include actual unencumbered balances at the June 30 fiscal year end or if projected increases or decreases in revenue are identified by the District during the year.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.

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6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2003 follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$ (528,062)	\$ (10,161)	\$ 19,331	\$ (8,192,829)
Revenue Accruals	40,714	(5,117)	3,867	1,933
Expenditure Accruals	(41,341)	5,968	-	(783,249)
Other Sources/Uses	(13,298)	-	-	-
Encumbrances	438,003	14,979	-	10,254,399
GAAP Basis	\$ (103,984)	\$ 5,669	\$ 23,198	\$ 1,280,254

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Pooled Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2003, investments were limited to STAR Ohio.

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The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. 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, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund and food service fund during fiscal year 2003 amounted to \$77,488 and \$1,251 respectively. Interest revenue credited to the Special Revenue Funds and Capital Project Funds during fiscal year 2003 amounted to \$78 and \$90,807, respectively.

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 original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventories are valued at the lower of cost (first in, first out) or market, and are determined by physical count. Inventory in Governmental Funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. 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, 2003 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. Property, Plant and Equipment

General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Improvements are capitalized. The cost 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. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

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Proprietary Funds

Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of ten years.

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Education Management Information Systems (EMIS)
Data Communications
Ohio School Net Communications Professional Development
Ohio Reads
Summer Intervention
Extended Learning
Safe-School Help Line Program
Eisenhower (Title II)
Title VI-B
Title I
Title VI
Drug Free School
Preschool Disability
FCC E-Rate
Title VI-R
Title II-A, Teacher Quality Enhancement
Title II-D, Technology
Reducing Class Size
Classroom Facilities Maintenance

Capital Projects Funds

School Net Plus
Tech Equity
Ohio School Facilities
Classroom Disability Access

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Reimbursable Grants

General Fund
Vocational Education Equipment

Enterprise Fund
National School Lunch Program
Food Distribution Program

J. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans receivable and interfund loans payable.

K. 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.

L. 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 District for the purchase of textbooks and instructional materials and to create a reserve for budget stabilization. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, prepaid items, debt service principal, textbooks and instructional material, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

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N. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2003.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

O. 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 judgments, compensated absences, contractually required pension obligations, 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. Payments made more than two months after fiscal year-end are considered not to have used current available 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.

P. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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Inactive deposits are public deposits that the Treasurer 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 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 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations issued by any federal government agency; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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 through eligible institutions; and
6. The Ohio State Treasurer's investment pool (STAROhio).

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

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Cash on Hand

At fiscal year end, the District had \$100 in undeposited cash on hand, which is included on the balance sheet of the 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 (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits

At fiscal year end, the carrying amount of the District's deposits was \$1,513,959 and the bank balance was \$1,776,728. \$101,000 of the bank balance was covered by federal depository insurance. \$1,675,728 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments

The District's investments are categorized below to give an indication of the level of risk assumed by the entity at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasury, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The \$11,139,340 carrying value in the State Treasurer's Investment Pool (STAR Ohio) approximated the fair value at June 30, 2003. Amounts in STAR Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District.

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, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." 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	Investments
GASB Statement 9	\$ 12,653,399	\$ -
Cash on Hand	(100)	-
STAR Ohio	(11,139,340)	11,139,340
GASB Statement 3	\$ 1,513,959	\$ 11,139,340

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4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2003. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion that is available to advance as of June 30, 2003.

The assessed values of properties upon which property tax revenues were based are as follows:

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	Amount
Agricultural/Residential	\$ 43,625,100
Commercial/Industrial	4,333,010
Public Utility	2,957,250
General Personal Property	7,781,850
Total valuation	\$ 58,697,210

5. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

Asset Category	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Land and Improvements	\$ 254,710	\$ -	\$ -	\$ 254,710
Buildings and Improvements	3,134,177	-	-	3,134,177
Furniture and Equipment	2,148,216	71,683	1,530	2,218,369
Vehicles	772,527	148,567	7,470	913,624
Textbooks and Library Books	380,208	48,385	11,940	416,653
Construction in Progress	1,764,815	4,125,744	-	5,890,559
Totals	\$ 8,454,653	\$ 4,394,379	\$ 20,940	\$ 12,828,092

A summary of changes in the Enterprise Fund fixed assets is as follows:

Asset Category	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Furniture and Equipment	\$ 118,140	\$ -	\$ 4,866	\$ 113,274
Less: Accumulated Depreciation	105,571	3,518	4,859	104,230
Totals	\$ 12,569	\$ (3,518)	\$ 7	\$ 9,044

6. RECEIVABLES

Receivables, at June 30, 2003, consisted of taxes, accounts (billings for user charged services), intergovernmental, and grants. All receivables are considered collectable in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2003, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

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	Balance at 06/30/02	Additions	Deductions	Balance at 06/30/03
General Obligation Bonds:				
Serial – Series 1997, 4% - 5.1%	\$ 180,000	\$ -	\$ 25,000	\$ 155,000
Term – Series 1997, 5.35% - 6%	700,000	-	-	700,000
Serial – Series 2001, 3% - 4%	1,150,000	-	100,000	1,050,000
Term – Series 2001, 5.25% - 5.5%	2,450,000	-	-	2,450,000
Pension Obligation	30,821	3,599	-	34,420
Compensated Absences	481,715	-	43,054	438,661
Total Long-Term Obligations	<u>\$ 4,992,536</u>	<u>\$ 3,599</u>	<u>\$ 168,054</u>	<u>\$ 4,828,081</u>

Debt outstanding at June 30, 2003 consisted of general obligation school improvement bonds issued in 1997 and 2001.

The school improvement bonds issued in 1997 were used to finance the construction of an addition to the Edon building. The issue consists of both serial and term bonds. The serial bonds will mature in December 2007. The term bonds are subject to mandatory sinking fund redemption in part by lot and are redeemed pursuant to mandatory sinking fund requirements at a redemption price of 100 percent of the principal amount redeemed, plus interest accrued to the redemption date, on the applicable mandatory redemption dates and in the principal amounts payable on those dates set forth in the Certificate of Award. The term bonds will be fully redeemed in December 2019.

The school improvement bonds issued in 2001 were used for the purpose of constructing, renovation, and improving existing school facilities and related site development. The issue consists of both serial and term bonds. The serial bonds will mature in December 2011. The term bonds are subject to mandatory sinking fund redemption in part by lot and are redeemed pursuant to mandatory sinking fund requirements at a redemption price of 100 percent of the principal amount redeemed, plus interest accrued to the redemption date, on the applicable mandatory redemption dates and in the principal amounts payable on those dates set forth in the Certificate of Award. The term bonds will be fully redeemed in December 2024.

Total expenditures for interest toward the school improvement bonds for the period ended June 30, 2003 was \$220,322.

The scheduled payments of principal and interest on debt outstanding at June 30, 2003 are as follows:

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

Years	Principal	Interest	Total
2004	\$125,000	\$216,160	\$341,160
2005	135,000	211,777	346,777
2006	140,000	207,098	347,098
2007	145,000	202,050	347,050
2008	150,000	196,482	346,482
2009-2013	875,000	876,969	1,751,969
2014-2018	1,130,000	616,700	1,746,700
2019-2023	1,175,000	278,175	1,453,175
2024-2025	480,000	25,725	505,725
Totals	<u>\$ 4,355,000</u>	<u>\$ 2,831,136</u>	<u>\$ 7,186,136</u>

8. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Twelve month employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to thirty percent of their accumulated sick leave balance, which cannot exceed 210 days. The maximum payout is 63 days.

At June 30, 2003 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$4,319 and \$438,661, respectively. The liability for compensated absences in the proprietary funds at June 30, 2003 was \$4,685.

Effective August 1, 1995, the Board implemented a retirement incentive plan (the plan) for all STRS members who meet the eligibility requirements and elect to participate. The plan is in effect until June 30, 2003. STRS members who qualify must either:

1. Have been eligible for retirement when the plan became effective.
2. Give notice of intent to retire by April 30 of the year in which they become eligible to retire and retire at the end of the school year in which notice of intent to retire was given.

Qualifying members who elect to participate receive a service retirement recognition stipend of \$10,000.

9. PENSION AND RETIREMENT PLANS

A. State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2003, were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The contributions to STRS for the years ending June 30, 2003, 2002, and 2001 were \$231,953, \$221,325, and \$208,398, respectively, 87 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$29,152 representing unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 200, Columbus, Ohio 43215 or by calling (614) 222-5853.

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 the annual covered payroll. 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 contributions to SERS for the years ending June 30, 2003, 2002, and 2001 were \$43,130, \$39,872, and \$29,639, respectively, 52 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$20,917 representing unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds and the general long-term obligations account group.

10. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Stabilization Fund. Effective July 1, 2002, 1 percent of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002.

For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more 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.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54 percent. 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 2002, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

The number of participants currently receiving health care benefits is approximately 50,000.

For the District, the amount of to fund health care benefits, including the surcharge, equaled \$72,249 during the 2003 fiscal year.

11. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2003 was as follows:

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$ 139,442	\$ 19,626	\$ 159,068
Depreciation Expense	3,518		3,518
Operating Loss	(104,408)	(1,192)	(105,600)
Donated Commodities	35,396		35,396
Grants	50,454		50,454
Interest	1,251		1,251
Loss on Sale of Fixed Assets	(7)		(7)
Net Loss	(17,314)	(1,192)	(18,506)
Net Working Capital	26,532	3,896	30,428
Total Assets	60,086	3,896	63,982
Total Liabilities	24,510		24,510
Total Equity	35,576	3,896	39,472

12. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$184,575 for services received through NBEC. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center 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 educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Career Center. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

E. Cisco Academy of Northwest Ohio

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from Lois Knuth, who serves as Interim Treasurer of the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

13. RISK MANAGEMENT

A. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

B. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 14). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

C. Insurance-Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are coinsured. Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage's from last year.

14. INSURANCE POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal year ending June 30, 2003 were \$444,887. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year ending June 30, 2003, the District paid an enrollment fee of \$531 to the WCGRP to cover the costs of administering the program.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

15. AGENCY FUNDS

General-Purpose Statement of Changes in Assets and Liabilities			
	Balance at 06/30/02	Change	Balance at 06/30/03
Assets	\$ 18,905	\$ (2,329)	\$ 16,576
Liabilities	\$ 18,905	\$ (2,329)	\$ 16,576

16. SET-ASIDE CALCULATIONS AND FUND 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 carry forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2003, only the unspent portion of workers' compensation refunds is required to be set aside at fiscal year end.

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. The June 30, 2002 balance of the Textbook reserve was restated from \$13,474 to \$11,089.

	Textbooks	Capital Acquisition	Budget Stabilization	
Set-aside Cash Balance as of June 30, 2002	\$ 11,089	\$ -	\$ 7,819	
Current Year Set-aside Requirement	104,705	104,705	-	
Current Year Offsets		(104,705)		
Qualifying Disbursements	(105,557)	-	(5,750)	
Total	\$ 10,237	\$ -	\$ 2,069	
Cash Balance Carried Forward to FY 2004	\$ 10,237	\$ -	\$ 2,069	
Amount restricted for Textbooks				\$ 10,237
Amount restricted for Budget Stabilization				2,069
Total Restricted Assets				\$ 12,306

17. STATE SCHOOL FUNDING DECISION

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

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

18. CONTRACTUAL COMMITMENTS

As of June 30, 2003, the District had the following contractual purchase commitments:

Company	Amount Remaining
Fanney/Howey Associates	\$ 147,226
Fettters Construction Inc.	7,133,268
L R Babcock Plumbing & Heating Inc.	1,247,288
Engineered Systems Inc.	660,885
C&T Design & Equipment Co.	245,039
Shambaugh & Son LP	163,363
Diversified Mech Systems	88,987
J-Tec, Inc.	192,455
Bowen+Washington+Regency	481,105
CTL Engineering Inc.	30,386
Total	\$ 10,390,002

19. INTERFUND TRANSACTIONS

Transfers between funds during the year ended June 30, 2003 were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 7,100
Agency Funds	7,100	-
Total All Funds	\$ 7,100	\$ 7,100



Auditor of State Betty Montgomery

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

Edon Northwest Local School District
Williams County
309 West Indiana Street
Edon, Ohio 43518-9620

To the Board of Education

We have audited the financial statements of Edon Northwest Local School District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 18, 2003. 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 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 a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 18, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 District in a separate letter dated December 18, 2003.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Edon Northwest Local School District
Williams 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 management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 18, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

EDON NORTHWEST LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2004**