



**Auditor of State
Betty Montgomery**

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Antwerp Local School District
Paulding County
303 South Harrmann Drive
Antwerp, Ohio 45813-9574

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Antwerp 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 Antwerp 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 April 15, 2005 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Betty Montgomery
Auditor of State

April 15, 2005

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**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2003**

	Governmental Fund Types	
	General	Special Revenue
ASSETS AND OTHER DEBITS		
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 1,448,026	\$ 166,218
Cash and Cash Equivalents:		
With Fiscal Agents		9,425
Receivables:		
Taxes	1,563,703	
Accounts	600	
Intergovernmental		2,931
Accrued Interest	614	
Income Tax	175,480	
Materials and Supplies Inventory		
Restricted Assets:		
Equity in Pooled Cash and Cash Equivalents	13,557	
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	\$ 3,201,980	\$ 178,574

Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
\$ 119,863	\$ 8,302,009	\$ 200,939	\$ 36,199			\$ 10,273,254
	239,131					248,556
251,677	129,363					1,944,743
	289,574					600
						292,505
						614
						175,480
		2,411				2,411
						13,557
		79,136 (59,869)		\$ 17,175,952		17,255,088 (59,869)
					\$ 119,863	119,863
					3,372,940	3,372,940
\$ 371,540	\$ 8,960,077	\$ 222,617	\$ 36,199	\$ 17,175,952	\$ 3,492,803	\$ 33,639,742

(Continued)

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2003
(Continued)**

	Governmental Fund Types	
	General	Special Revenue
LIABILITIES, FUND EQUITY AND OTHER CREDITS		
Liabilities:		
Accounts Payable	\$ 21,966	\$ 2,192
Contracts Payable		
Accrued Wages and Benefits	420,131	365
Compensated Absences Payable	547	
Retainage Payable		
Intergovernmental Payable	73,745	
Deferred Revenue	1,482,044	2,931
Due to Students		
Asbestos Removal Loan Payable		
General Obligation Bonds Payable		
	1,998,433	5,488
Total Liabilities		
Fund Equity and Other Credits:		
Investment in General Fixed Assets		
Retained Earnings:		
Unreserved		
Fund Balances:		
Reserved for:		
Encumbrances	34,718	6,418
Property Taxes	81,659	
Budget Stabilization	13,557	
Unreserved:		
Unreserved, Undesignated	1,073,613	166,668
	1,203,547	173,086
Total Fund Equity and Other Credits		
Total Liabilities, Fund Equity, and Other Credits		
	\$ 3,201,980	\$ 178,574

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
		\$ 12,238				\$ 36,396
	\$ 930,057	181				930,057
		11,303			\$ 260,695	420,677
	239,131					272,545
		7,285			29,850	239,131
\$ 232,734	347,397					110,880
			\$ 36,199			2,065,106
					22,188	36,199
					3,180,070	22,188
						3,180,070
<u>232,734</u>	<u>1,516,585</u>	<u>31,007</u>	<u>36,199</u>		<u>3,492,803</u>	<u>7,313,249</u>
				17,175,952		17,175,952
		191,610				191,610
	7,809,286					7,850,422
18,943	10,396					110,998
						13,557
<u>119,863</u>	<u>(376,190)</u>					<u>983,954</u>
<u>138,806</u>	<u>7,443,492</u>	<u>191,610</u>		<u>17,175,952</u>		<u>26,326,493</u>
<u>\$ 371,540</u>	<u>\$ 8,960,077</u>	<u>\$ 222,617</u>	<u>\$ 36,199</u>	<u>\$ 17,175,952</u>	<u>\$ 3,492,803</u>	<u>\$ 33,639,742</u>

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$ 3,238,892	\$ 225,800
Interest	37,075	
Tuition and Fees	57,204	
Rent	1,773	
Extracurricular Activities		75,025
Income Tax	396,111	25,189
Property and Other Local Taxes	1,150,458	
Miscellaneous	99,663	14,903
	<u>4,981,176</u>	<u>340,917</u>
Total Revenues		
Expenditures:		
Instruction:		
Regular	2,575,506	57,425
Special	344,426	125,170
Vocational	114,852	
Other	3,765	19,269
Support services:		
Pupils	200,069	417
Instructional Staff	255,087	24,121
Board of Education	7,357	
Administration	567,521	10,887
Fiscal	162,074	2,664
Business		
Operation and Maintenance of Plant	424,267	
Pupil Transportation	335,511	
Central	418	
Extracurricular activities	147,366	85,097
Capital Outlay		
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
	<u>5,138,219</u>	<u>325,050</u>
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	(157,043)	15,867
Fund Balance at Beginning of Year	1,360,590	157,219
Fund Balance at End of Year	\$ 1,203,547	\$ 173,086

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$ 26,103	\$ 11,012,994	\$ 14,503,789
	92,743	129,818
		57,204
		1,773
		75,025
		421,300
234,564	130,312	1,515,334
	800	115,366
<u>260,667</u>	<u>11,236,849</u>	<u>16,819,609</u>
	49,114	2,682,045
		469,596
		114,852
		23,034
		200,486
		279,208
		7,357
	894	579,302
7,892	4,482	177,112
	1,160	1,160
	19,040	443,307
		335,511
		418
		232,463
	10,737,637	10,737,637
120,000	42,396	162,396
132,282	532	132,814
<u>260,174</u>	<u>10,855,255</u>	<u>16,578,698</u>
493	381,594	240,911
138,313	7,061,898	8,718,020
<u>\$ 138,806</u>	<u>\$ 7,443,492</u>	<u>\$ 8,958,931</u>

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING 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 Fiscal Year Ended June 30, 2003**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 3,238,892	\$ 3,238,892	
Interest	37,872	39,944	\$ 2,072
Tuition and Fees	57,204	57,204	
Rent	1,773	1,773	
Extracurricular Activities			
Income Tax	413,614	413,614	
Property and Other Local Taxes	1,132,370	1,132,370	
Miscellaneous	94,076	99,063	4,987
Total Revenues	4,975,801	4,982,860	7,059
Expenditures:			
Current:			
Instruction:			
Regular	2,903,480	2,797,464	106,016
Special	344,594	344,423	171
Other	12,000	3,690	8,310
Support services:			
Pupils	206,810	202,905	3,905
Instructional Staff	312,696	271,496	41,200
Board of Education	8,467	7,349	1,118
Administration	987,382	587,097	400,285
Fiscal	173,899	164,607	9,292
Business			
Operation and Maintenance of Plant	448,950	412,060	36,890
Pupil Transportation	304,465	246,556	57,909
Extracurricular activities	147,530	147,951	(421)
Capital Outlay			
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	5,850,273	5,185,598	664,675
Excess of Revenues Over (Under) Expenditures	(874,472)	(202,738)	671,734
Fund Balances at Beginning of Year	1,507,400	1,507,400	
Prior Year Encumbrances Appropriated	100,236	100,236	
Fund Balance at end of Year	\$ 733,164	\$ 1,404,898	\$ 671,734

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 149,332	\$ 149,332		\$ 26,103	\$ 26,103	
75,025	75,025				
25,189	25,189				
14,903	14,903		230,364	230,364	
<u>264,449</u>	<u>264,449</u>		<u>256,467</u>	<u>256,467</u>	
57,310	57,310				
53,565	53,565				
19,269	19,269				
585	585				
20,998	20,998				
2,200	2,200				
2,122	2,122		8,200	7,892	308
91,746	91,746				
			120,000	120,000	
			200,000	132,282	67,718
<u>247,795</u>	<u>247,795</u>		<u>328,200</u>	<u>260,174</u>	<u>68,026</u>
16,654	16,654		(71,733)	(3,707)	68,026
135,499	135,499		123,570	123,570	
5,454	5,454				
<u>\$ 157,607</u>	<u>\$ 157,607</u>		<u>\$ 51,837</u>	<u>\$ 119,863</u>	<u>\$ 68,026</u>

(Continued)

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING 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 Fiscal Year Ended June 30, 2003
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 11,048,682	\$ 11,048,682	
Interest	97,455	103,956	\$ 6,501
Tuition and Fees			
Rent			
Extracurricular Activities			
Income Tax			
Property and Other Local Taxes	128,007	128,007	
Miscellaneous	800	800	
	<u>11,274,944</u>	<u>11,281,445</u>	<u>6,501</u>
Total Revenues			
Expenditures:			
Current:			
Instruction:			
Regular	57,418	56,308	1,110
Special			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration	5,783	894	4,889
Fiscal	4,255	4,482	(227)
Business	5,000	1,160	3,840
Operation and Maintenance of Plant	25,000	19,040	5,960
Pupil Transportation			
Extracurricular activities			
Capital Outlay	26,533,354	19,160,399	7,372,955
Debt Service			
Debt Service - Principal	38,000	42,396	(4,396)
Debt Service - Interest	3,000	532	2,468
	<u>26,671,810</u>	<u>19,285,211</u>	<u>7,386,599</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	(15,396,866)	(8,003,766)	7,393,100
Fund Balances at Beginning of Year	(7,461,426)	(7,461,426)	
Prior Year Encumbrances Appropriated	15,027,857	15,027,857	
Fund Balance at end of Year	<u>\$ (7,830,435)</u>	<u>\$ (437,335)</u>	<u>\$ 7,393,100</u>

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)
\$ 14,463,009	\$ 14,463,009	
135,327	143,900	\$ 8,573
57,204	57,204	
1,773	1,773	
75,025	75,025	
438,803	438,803	
1,490,741	1,490,741	
109,779	114,766	4,987
<u>16,771,661</u>	<u>16,785,221</u>	<u>13,560</u>
3,018,208	2,911,082	107,126
398,159	397,988	171
31,269	22,959	8,310
207,395	203,490	3,905
333,694	292,494	41,200
8,467	7,349	1,118
995,365	590,191	405,174
188,476	179,103	9,373
5,000	1,160	3,840
473,950	431,100	42,850
304,465	246,556	57,909
239,276	239,697	(421)
26,533,354	19,160,399	7,372,955
158,000	162,396	(4,396)
203,000	132,814	70,186
<u>33,098,078</u>	<u>24,978,778</u>	<u>8,119,300</u>
(16,326,417)	(8,193,557)	8,132,860
(5,694,957)	(5,694,957)	
<u>15,133,547</u>	<u>15,133,547</u>	
<u>\$ (6,887,827)</u>	<u>\$ 1,245,033</u>	<u>\$ 8,132,860</u>

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenses,
and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003**

	Enterprise
Operating Revenues:	
Tuition	\$ 11,100
Sales	178,513
Charges for Services	672
Total Operating Revenues	190,285
Operating Expenses	
Salaries	58,941
Fringe Benefits	17,408
Purchased Services	7,834
Materials and Supplies	140,412
Depreciation	846
Total Operating Expenses	225,441
Operating Loss	(35,156)
Non-Operating Revenues	
Federal Donated Commodities	7,901
Interest	1,463
Federal and State Subsidies	43,045
Other	4,927
Total Non-Operating Revenues	57,336
Net Income	22,180
Retained Earnings at Beginning of Year	169,430
Retained Earnings at End of Year	\$ 191,610

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003**

	<u>Enterprise</u>
Increase/(Decrease) in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$ 178,513
Cash Received from Charges for Services	672
Cash Received from Tuition	11,100
Cash Payments to Suppliers for Goods and Service	(122,648)
Cash Payments for Contract Services	(7,533)
Cash Payments for Employee Services	(65,388)
Cash Payments for Employee Benefits	(15,879)
	<u>(21,163)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	48,012
	<u>48,012</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Received	1,646
	<u>1,646</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(3,700)
	<u>(3,700)</u>
Net Increase in Cash and Cash Equivalents	24,795
Cash and Cash Equivalents at Beginning of Year	176,144
Cash and Cash Equivalents at End of Year	\$ 200,939

(Continued)

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003
(Continued)**

	<u>Enterprise</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (35,156)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	846
Donated Commodities Used During the Year	7,901
Adjustments to Capital Outlay	3,700
(Increase) Decrease in Assets:	
Material and Supplies Inventory	(173)
Increase (Decrease) in Liabilities:	
Accounts Payable	7,329
Compensated Absences Payable	795
Intergovernmental Payable	1,540
Deferred Revenue	(692)
Accrued Wages and Benefits	(7,253)
Total Adjustments	13,993
Net Cash Used by Operating Activities	\$ (21,163)

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is located in Paulding County. The District is the 548th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 29 non-certificated employees and 55 certificated full-time teaching personnel, who provide services to 748 students and other community members.

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. For Antwerp Local School 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 five organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Vocational School, Paulding County School Council, Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Paulding County School Council Employees Insurance Benefits Program. These organizations are presented in Notes 16 and 17 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Antwerp 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. Basis of Presentation - Fund Accounting

The 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 District functions or activities.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

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 District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the 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 District's governmental fund types:

General Fund - The General Fund is the operating fund of the 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 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 Funds - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, 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).

Proprietary Fund Type

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

Enterprise Funds - Enterprise funds are used to account for 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.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

B. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds 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.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings and contributed capital components. 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 and agency funds. The full accrual basis of accounting is followed by the proprietary fund type.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, includes property taxes, income 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 income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements included timing requirements, which specify the year when

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the revenue 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 specific purpose, and expenditure requirements, in which the resources provided to the District on a reimbursement basis. On a 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 deemed both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria have 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, are 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, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported 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 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.

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 fund level. 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.

The Eisenhower, Title VI-B, and Drug Free special revenue funds are flow through grants in which the Western Buckeye County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the District's reporting entity for which the "appropriated budget" is adopted.

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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 Paulding County Budget Commission for rate determination.

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 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 District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

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 level of expenditures, which is the legal level 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 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.

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

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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.

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. Cash and Cash Equivalents

To improve cash management, all cash received by the 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 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 2003, investments were limited to interest in STAR Ohio. Investments are stated at cost or amortized cost. 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 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 of \$37,075 was credited to the General Fund, which included \$18,441 from other 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 District are considered to be cash equivalents.

Cash and cash equivalents held for the District by the Western Buckeye Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. 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.

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F. 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.

G. 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 District maintains a capitalization threshold of five hundred dollars. The 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 over fifteen thousand dollars 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.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, 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 and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Excellence Grant
- Management Information Systems
- School Net/One Net
- School Net Professional Development
- Ohio Reads Grant

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Summer Intervention
Family/School Partnership Grant
Eisenhower - Flow through
Title I
Title VI
Title IV – Drug Free Grant
E-Rate Grant
LPDC
Title VI-R
Title II-A
Christa McAuliffe Grant
Assistant Technology Infusion Project
Title II-D Technology

Capital Projects Funds

School Net Plus
Technology Equity
IVDL Grant

Reimbursable Grants

General Fund

Driver Education
Vocational Education

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 85 percent of the revenues of the District's governmental fund types during the 2003 fiscal year.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. 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 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.

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J. 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 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.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. 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.

L. Fund Balance Reserves

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

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 monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

M. 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 State statute to be set-aside by the District to create a reserve for budget stabilization. See Note 14 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

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N. 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.

O. Pass-Through Grants

The Eisenhower and Handicapped Preschool special revenue funds are pass-through grants in which the Western Buckeye Educational Service Center is the primary recipient. In accordance with GASB Statement 24 "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

P. 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.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances 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 and Actual (Budget Basis) and All Governmental 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. Although not part of the appropriated budget, the Eisenhower, Title VI-B, and Drug Free special revenue funds are included as part of the reporting entity when preparing financial statements that conform to GAAP.

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

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Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Uses

Governmental Funds	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$ (202,738)	\$ 16,654	\$ (3,707)	\$ (8,003,766)
Revenue Accruals	(1,684)	76,468	4,200	(44,596)
Expenditure Accruals	(9,306)	(85,866)		(309,388)
Encumbrances	56,685	8,611		8,739,344
GAAP Basis	<u>\$ (157,043)</u>	<u>\$ 15,867</u>	<u>\$ 493</u>	<u>\$ 381,594</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 monies are those monies that 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 to 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 treasury 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 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;

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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 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.

Cash on Hand - At fiscal year end, the District had \$50 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".

At fiscal year end, the District had \$9,425 in cash and cash equivalents with fiscal agents, which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents". The Western Buckeye Educational Service Center holds this flow through grant money for the District together with that of other school districts, and therefore, the District cannot classify this money by risk under GASB Statement No. 3.

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".

Deposits - At fiscal year end, the carrying amount of the District's deposits was \$113,022 and the bank balance was \$468,964. The entire bank balance was covered by federal depository insurance or by securities held by the financial institutions trust department in the District's name.

Investments - The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. The District's investments consist solely of STAR Ohio, an investment pool operated by the Ohio State Treasurer. These are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Market Value</u>
STAR Ohio	<u>\$ 10,173,739</u>	<u>\$ 10,173,739</u>

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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:

	Deposits	Investments
GASB Statement 9	\$ 10,535,367	\$ -
Cash with Educational Service Center	(9,425)	-
Cash in Escrow Accounts	(239,131)	-
Cash on Hand	(50)	-
Investments:		
STAR Ohio	(10,173,739)	10,173,739
GASB Statement 3	\$ 113,022	\$ 10,173,739

NOTE 5 - 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 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 88 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.

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 District receives property taxes from Paulding County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 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 that became measurable as of June 30, 2003. 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.

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The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 43,556,630	83.53%	\$ 22,114,040	90.00%
Public Utility	2,324,200	4.46%	1,173,385	5.00%
Tangible Personal Property	6,264,906	12.01%	1,348,363	5.00%
Total Assessed Value	<u>\$ 52,145,736</u>	<u>100.00%</u>	<u>\$ 24,635,788</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 49.35		\$ 49.25	

NOTE 6 - INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The permanent tax was approved by the voters on November 1990, and is effective January 1, 1991. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003, consisted of both property and income taxes, accounts, intergovernmental, and interest. 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.

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$ 79,136
Less: Accumulated Depreciation	<u>(59,869)</u>
Net Fixed Assets	<u>\$ 19,267</u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

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Asset Category	Balance at 06/30/02	Additions	Deletions	Balance at 06/30/03
Land and Improvements	\$ 694,794	\$ 21,164		\$ 715,958
Buildings and Improvements	3,158,219	13,448	\$ 3,000	3,168,667
Furniture, Fixtures, and Equipment	1,545,356	67,884	239,296	1,373,944
Vehicles	564,661	56,312		620,973
Construction-In-Progress	1,514,204	9,782,206		11,296,410
Total	\$ 7,477,234	\$ 9,941,014	\$ 242,296	\$ 17,175,952

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents (\$250 deductible)	Replacement Cost
Inland Marine Coverage:	
Musical Instruments (No deductible)	\$ 6,000
Photo Equipment (No deductible)	300,000
Radios (No deductible)	2,523
EDP (\$100 deductible)	20,000
Boiler and Machinery (\$1,000 deductible)	19,066,300
Crime Insurance	1,000
Automobile Liability (\$500 deductible)	2,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000
Umbrella Liability	
Per occurrence	3,000,000
Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

B. Employee Medical Benefits

As of June 30, 2003 the District has contracted through the Paulding County Schools Council with Medical Mutual of Ohio as third party provider to provide employee medical/surgical benefits and also dental benefits. Rates are set through an annual calculation process. The District and the employees share the cost of the monthly premium with the Board.

C. Workers' Compensation

For fiscal year 2003, the District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool

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June 30, 2003
(Continued)**

(Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the 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. The firm of Anthem Comp Services provided administrative, cost control and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.83 percent was the portion used to fund pension obligations for fiscal year 2003. 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$53,744, \$32,431, and \$19,246, respectively; 22 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$42,060, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations for fiscal year 2003. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions.

The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$341,223, \$219,827, and \$212,590, respectively; 82 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$60,904, is recorded as a liability within the respective funds.

NOTE 11 - 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.

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, 2003, the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$2.8 billion on June 30, 2003.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000. There were 108,294 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, 2003, the allocation rate is 5.83 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 \$14,500. 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, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits were \$303.6 million.

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

For the District, the amount to fund postemployment benefits including the surcharge as of June 30, 2003 equaled \$46,264

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators 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 which is 15 days annually. For administrators, teachers, and classified employees, such days shall accumulate equal to 235 days. Vested sick leave is accumulated and, if unused, is paid upon retirement at the rate of one-fourth of the accumulated sick leave when an employee has 10 years with the District. Administrative, certified, and classified employees are limited to a maximum of 45 paid days.

B. Life Insurance

The District provides life insurance to most employees through the Medical Life Insurance Company.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 06/30/02	Additions	Deductions	Principal Outstanding 06/30/03
OSFC Bond Issue	\$ 3,175,000		\$ 120,000	\$ 3,055,000
OSFC Capital Appreciation Bonds	105,534	\$ 19,536		125,070
Asbestos Loan – Interest Free	27,188		5,000	22,188
House Bill #264 Loan				
10 years 5.9% Interest Rate	37,396		37,396	
Compensated Absences	242,014	18,681		260,695
Intergovernmental Payables	29,201	649		29,850
Total General Long-Term Obligations	\$ 3,616,333	\$ 38,866	\$ 162,396	\$ 3,492,803

The OSFC Bond Issue was entered into in 2002 for the amount of \$3,260,998. The bond was issued for the construction of a new school building. The bond has an interest rate of 4.66 percent and will mature in fiscal year 2023.

House Bill #264 Loan was entered into in 1995. The 5.9 percent, \$325,000 loan was issued for the purpose of purchasing and installing energy conservation measures. The District will make annual payments through fiscal year 2004.

The Asbestos Loan was entered into in 1988 through the United States Environmental Protection Agency. The purpose of this loan is to provide revenues for the removal of asbestos from school buildings. This interest free promissory note maturing in fiscal year 2008 had an original principal amount of \$102,068. The District will make semi-annual installments of \$2,500.

Compensated absences and intergovernmental payables will be paid from the fund that the employer's salary is paid. Compensated absences, additions, and deletions have been netted because the calculation is an estimate making it impractical to determine.

The District's voted legal debt margin was (\$923,777) with an unvoted debt margin of \$24,636 at June 30, 2003.

The annual requirements to amortize all debt outstanding as of June 30, 2003 are as follows:

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

Year Ending June 30,	Principal	Interest	Total
2004	\$ 125,000	\$ 129,043	\$ 254,043
2005	130,000	125,456	255,456
2006	135,000	121,470	256,470
2007	140,000	117,095	257,095
2008	137,188	112,370	249,558
2009-2013	665,389	579,671	1,245,060
2014-2018	769,681	469,644	1,239,325
2019-2023	1,100,000	135,375	1,235,375
Total	<u>\$ 3,202,258</u>	<u>\$ 1,790,124</u>	<u>\$ 4,992,382</u>

NOTE 14 - 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 carried 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 certain workers' compensation refunds continues to be set aside at 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.

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Balance as of June 30, 2002	\$ (66,780)		\$ 13,557
Current Year Set-aside Requirement	102,441	\$ 102,441	
Current Year Offsets		(153,196)	
Qualifying Disbursements	(116,545)	(20,037)	
Total	<u>\$ (80,884)</u>	<u>\$ (70,792)</u>	<u>\$ 13,557</u>
Balance Carried Forward to FY 2004	<u>\$ (80,884)</u>	<u>\$ -</u>	<u>\$ 13,557</u>
Total Restricted Assets			<u>\$ 13,557</u>

The District had qualifying expenditures during the fiscal year that reduced the textbook set aside to an amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains four enterprise funds to account for the operations of food service, uniform school supplies, pool, and preschool tuition. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2003.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

	Food Service	Uniform School Supplies	Pool	Preschool Tuition	Total Enterprise Funds
Operating Revenues	\$ 136,069	\$ 42,444	\$ 672	\$ 11,100	\$ 190,285
Operating Expenses Less Depreciation	(182,483)	(32,246)	(2,403)	(7,463)	(224,595)
Depreciation Expense	(846)				(846)
Operating Income (Loss)	(47,260)	10,198	(1,731)	3,637	(35,156)
Donated Commodities	7,901				7,901
Federal and State Subsidies	43,045				43,045
Interest	1,463				1,463
Other	4,927				4,927
Net Income (Loss)	10,076	10,198	(1,731)	3,637	22,180
Net Working Capital	109,146	53,680	1,569	7,947	172,342
Total Assets	144,644	65,617	1,569	10,787	222,617
Total Liabilities	16,230	11,937		2,840	31,007
Total Equity	128,414	53,680	1,569	7,947	191,610

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

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, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties and Cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The District has an equity interest that is explicit and measurable in that the joint governed organization stipulates that the participants have a future claim to the net resources of NOACSC upon dissolution. The agreement sets forth the method to determine each member's proportionate share.

Vantage Vocational School

The Vantage 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 Vantage Vocational School, Lori Davis, who serves as Treasurer, at 818 North Franklin Street, Van Wert, Ohio 45891.

Paulding County Schools Council

The Paulding County Schools Council is a jointly governed organization among the Boards of Education of Antwerp Local School District, Paulding Exempted Village School District, and Wayne Trace Local School District. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

member school districts. Financial information can be obtained from David Bagley, who serves as Chairman, at 303 South Harrmann Road, Antwerp, Ohio 45813.

NOTE 17 - GROUP PURCHASING POOL

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.

The Paulding County School Council's Employee Insurance Benefits Program

The Paulding County School Council's Employee Insurance Benefits Program includes a health insurance plan. The plan is a risk-sharing pool among the Boards of Education of Antwerp Local School District, Paulding Exempted Village School District, and Wayne Trace Local School District. The purpose of the plan is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of a representative from each of the member school districts. The degree of control exercised by any participating member is limited to its representation on the council.

Financial information can be obtained from David Bagley, who serves as Chairman, at 303 South Harrmann Road, Antwerp, Ohio 45813.

NOTE 18 - SCHOOL FOUNDATION PROGRAM

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

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

NOTE 19 - CONTINGENCIES

A. Grants

The 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

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 District at June 30, 2003.

NOTE 20 - OUTSTANDING CONTRACTS

The District had outstanding contracts, as of June 30, 2003, in the amount of \$5,765,390 for construction of a new school.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Antwerp Local School District
Paulding County
303 South Harrmann Drive
Antwerp, Ohio 45813-9574

To the Board of Education:

We have audited the general purpose financial statements of Antwerp Local School District, Paulding County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated April 15, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters in involving the internal control over financial reporting and its operations that we consider material weaknesses. In a separate letter to the District's management dated April 15, 2005, we reported other matters involving internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

Antwerp Local School District
Paulding County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated April 15, 2005 we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Education. It is not intended for 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

April 15, 2005

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Schedule of Prior Audit Findings
June 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-10263-001	Ohio Revised Code § 5705.39, appropriations exceeded estimated resources.	No	Partially corrected. Reported in the management letter.
2002-10263-002	Ohio Revised Code § 5705.41(B), expenditures exceeded appropriations.	No	Partially corrected. Reported in the management letter.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

ANTWERP LOCAL SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 17, 2005**