



**Auditor of State  
Betty Montgomery**



**NOBLE LOCAL SCHOOL DISTRICT  
NOBLE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Noble Local School District  
Noble County  
20977 Zep Road East  
Sarahsville, Ohio 43779

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Noble Local School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Noble Local School District, Noble County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the School District implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

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 28, 2005

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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The discussion and analysis of the Noble Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities decreased \$138,216
- General revenues accounted for \$7,480,035 in revenue or 77% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,261,166 or 23% of total revenues of \$9,741,201.
- Total assets of governmental activities decreased \$441,066. Cash and cash equivalents and property taxes receivable decreased \$299,643 and \$151,231, respectively, while intergovernmental and accounts receivable increased \$64,632 and \$1,096, respectively. Capital assets also decreased \$46,909 due mainly to depreciation. As the assets decreased, the total governmental activities liabilities also decreased \$302,850. This decrease is attributed mainly to a decrease in claims payable of \$41,309 and in long-term liabilities of \$175,941.
- The School District had \$9,879,417 in expenses related to governmental activities; only \$2,261,166 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$7,480,035 were not adequate to provide for these programs.
- The School District's major fund was the General Fund. The General Fund had \$8,381,425 in revenues and \$8,790,332 in expenditures. The General Fund's balance decreased \$705,453.

**Using this Annual Financial Report**

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

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

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, food service operations, and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 Unaudited

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

Table 1  
 Net Assets

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current and Other Assets	\$4,304,001	\$4,698,158
Capital Assets	5,900,843	5,947,752
Total Assets	10,204,844	10,645,910
<b>Liabilities</b>		
Long-term Liabilities	1,527,812	1,703,753
Other Liabilities	3,193,742	3,320,651
Total Liabilities	4,721,554	5,024,404
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	4,797,695	4,691,374
Restricted	490,293	510,242
Unrestricted	195,302	419,890
Total Net Assets	\$5,483,290	\$5,621,506

Total assets decreased \$441,066. This decrease was mainly due to depreciation exceeding capital assets purchased by the amount of \$46,909, a decrease in cash and cash equivalents of \$299,643, and a decrease in property taxes receivable of \$151,231.

Total liabilities decreased \$302,850. Long-term liabilities decreased \$175,941 which is largely attributable to the decrease in capital leases payable. Claims payable also decreased \$41,309.

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year Noble Local Schools has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2  
 Changes in Net Assets

	Governmental Activities
	2004
<b>Revenues</b>	
Program Revenues	
Charges for Services	\$780,258
Operating Grants, Contributions and Interest	1,416,229
Capital Grants and Contributions	64,679
Total Program Revenues	2,261,166
General Revenues	
Property Taxes	1,945,092
Grants and Entitlements	5,450,699
Investment Earnings	14,141
Miscellaneous	70,103
Total General Revenues	7,480,035
Total Revenues	9,741,201
<b>Program Expenses</b>	
Instruction:	
Regular	4,427,498
Special	763,837
Vocational	160,355
Support Services:	
Pupil	362,895
Instructional Staff	420,214
Board of Education	50,381
Administration	1,108,507
Fiscal	344,460
Business	8,704
Operation and Maintenance of Plant	671,862
Pupil Transportation	832,287
Central	4,501
Operation of Non-Instructional Services:	
Food Service Operations	450,842
Extracurricular Activities	202,128
Interest and Fiscal Charges	70,946
Total Expenses	9,879,417
Decrease in Net Assets	(\$138,216)

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 Unaudited

During fiscal year 2004, the School District saw an increase in property tax revenue. Unrestricted grants reflect a slight increase due to the increase in Parity Aid. State foundation funding remained relatively consistent with the prior year. The School District receives substantial funding from the State due to the depressed economic condition of the area.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decrease as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 20% of revenues for governmental activities for the School District in fiscal year 2004.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2003 have not been made since they are not available.

Table 3  
 Governmental Activities

	Total Cost of Services	Net Cost of Services
	2004	2004
<b>Program Expenses</b>		
Instruction:		
Regular	\$4,427,498	\$3,699,636
Special	763,837	86,422
Vocational	160,355	96,998
Support Services:		
Pupil	362,895	362,033
Instructional Staff	420,214	271,187
Board of Education	50,381	50,381
Administration	1,108,507	1,024,549
Fiscal	344,460	343,346
Business	8,704	8,704
Operation and Maintenance of Plant	671,862	658,187
Pupil Transportation	832,287	785,059
Central	4,501	(499)
Operation of Non-Instructional Services:		
Food Service Operations	450,842	60,387
Extracurricular Activities	202,128	100,915
Interest and Fiscal Charges	70,946	70,946
Total	\$9,879,417	\$7,618,251

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2004, approximately 73% of instructional activities were supported through taxes and other general revenues.

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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**The School District Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,728,729 and expenditures of \$10,469,930. The School District is focusing its efforts to reduce expenditures, first through cuts to its discretionary budgets such as supplies and capital outlay, and also through the reduction of personnel, mainly through attrition.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2004, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$8,413,088, above original estimates of \$8,101,575. The \$311,513 difference was due to a change in the way open enrollment revenues were receipted. Previously, the District receipted the net of incoming versus outgoing students. In fiscal 2004, the District was required to receipt incoming students and record outgoing students as an expenditure.

The School District's ending unobligated general fund balance was \$597,718.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2004, the School District had \$5,900,843 invested in land and land improvements, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 Unaudited

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$21,025	\$21,025
Land and Land Improvements	47,263	67,485
Buildings and Improvements	4,670,793	4,818,507
Furniture and Equipment	595,047	538,739
Vehicles	566,715	501,996
Totals	\$5,900,843	\$5,947,752

During fiscal year 2004, the School District purchased several capital assets. School buses that were ordered and encumbered in early fiscal 2003 were not received and paid for until fiscal 2004, which inflated the actual amount of actual expenditures. In an effort to reduce expenditures, the District purchased only one school bus in fiscal 2004. Through a matching grant with the vocational school, the District created a business education lab in its high school and purchased 25 new computers and tables. See note 9 to the basic financial statements for more information on capital assets.

***Debt***

At June 30, 2004, the School District had \$1,103,148 in capital leases outstanding.

Table 5  
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2004	2003
Capital Leases	\$1,103,148	\$1,256,378

See note 15 to the basic financial statements for more information on debt.

**Current Issues**

In each of the past several years, the School District's expenditures have noticeably exceeded revenues. Changes to the State's current biennial budget, such as eliminating the 3-year averaging of ADM, in combination with an annual loss of student population, have negatively impacted the District's finances.

Additional funding is received from the Federal government. The District has not been able to pass a levy in recent years. The District has not placed an operating levy on the ballot in recent years since the District depends on the charge-off supplement, which would be eliminated with the passage of any operating millage. The charge-off supplement is revenue intended to fill in any gap that exists between the local revenue raised by a district and the amount the foundation formula assumes the district should raise to meet its local share of

**Noble Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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formula aid, special education, vocational education weighted aid, and transportation aid. If a district's local revenue falls below the sum of the district's charge-off plus its assumed local share of special education, vocational education weighted aid, and transportation aid, the state makes up the shortfall in charge-off supplement aid. This aid guarantees that each pupil will receive the adequate base cost and categorical foundation amounts in state and local revenue combined.

The Board of Education and administration of the School District is diligently working to reduce expenditures to eliminate deficit spending and to ensure long-term financial stability. The Board of Education approved a Budget Reduction Plan at the March 17, 2005 meeting.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jeff Croucher, Treasurer/CFO at Noble Local School District, 20977 SR 146, Sarahsville, Ohio 43779-9702. Or E-Mail at [nl\\_jeff@omeres.net](mailto:nl_jeff@omeres.net).

**Noble Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2004*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,288,934
Cash and Cash Equivalents with Fiscal Agents	320,845
Materials and Supplies Inventory	18,496
Intergovernmental Receivable	189,315
Prepaid Items	177,242
Accounts Receivable	2,130
Property Taxes Receivable	2,307,039
Nondepreciable Capital Assets	21,025
Depreciable Capital Assets, Net	<u>5,879,818</u>
<i>Total Assets</i>	<u>10,204,844</u>
<b>Liabilities</b>	
Accounts Payable	45,256
Accrued Wages and Benefits Payable	1,031,478
Vacation Benefits Payable	37,913
Deferred Revenue	1,607,485
Intergovernmental Payable	249,175
Claims Payable	222,435
Long-Term Liabilities:	
Due Within One Year	292,837
Due In More Than One Year	<u>1,234,975</u>
<i>Total Liabilities</i>	<u>4,721,554</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,797,695
Restricted for:	
Debt Service	215,602
Unclaimed Monies	59,992
Other Purposes	210,622
Scholarships:	
Nonexpendable	2,942
Expendable	1,135
Unrestricted	<u>195,302</u>
<i>Total Net Assets</i>	<u><u>\$5,483,290</u></u>

See accompanying notes to the basic financial statements



**Noble Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$768,170	\$520,764	\$1,288,934
Receivables:			
Property Taxes	2,307,039	0	2,307,039
Accounts	2,130	0	2,130
Intergovernmental	933	188,382	189,315
Interfund	15,966	0	15,966
Prepaid Items	156,842	20,400	177,242
Materials and Supplies Inventory	15,333	3,163	18,496
<i>Total Assets</i>	<u>\$3,266,413</u>	<u>\$732,709</u>	<u>\$3,999,122</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$40,559	\$4,697	\$45,256
Accrued Wages and Benefits Payable	905,711	125,767	1,031,478
Interfund Payable	0	15,966	15,966
Intergovernmental Payable	144,889	28,326	173,215
Deferred Revenue	2,009,509	53,675	2,063,184
<i>Total Liabilities</i>	<u>3,100,668</u>	<u>228,431</u>	<u>3,329,099</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	94,274	23,812	118,086
Reserved for Property Taxes	282,800	0	282,800
Reserved for Unclaimed Monies	59,992	0	59,992
Reserved for Nonexpendable Trust	0	2,942	2,942
Unreserved, Undesignated, Reported in:			
General Fund (Deficit)	(271,321)	0	(271,321)
Special Revenue Funds	0	131,857	131,857
Capital Projects Funds	0	130,065	130,065
Debt Service Fund	0	215,602	215,602
<i>Total Fund Balances</i>	<u>165,745</u>	<u>504,278</u>	<u>670,023</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,266,413</u>	<u>\$732,709</u>	<u>\$3,999,122</u>

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004*

<b>Total Governmental Fund Balances</b>		\$670,023
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,900,843
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	402,024	
Grants	53,675	455,699
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		98,410
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(37,913)
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(75,960)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Lease Payable	(1,103,148)	
Sick Leave Benefits Payable	(424,664)	(1,527,812)
 Net Assets of Governmental Activities		 \$5,483,290
 See accompanying notes to the basic financial statements		

**Noble Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$1,918,989	\$10,159	\$1,929,148
Intergovernmental	5,926,813	1,006,332	6,933,145
Investment Earnings	12,882	21	12,903
Charges for Services	0	231,225	231,225
Tuition and Fees	439,170	1,440	440,610
Extracurricular Activities	0	69,007	69,007
Miscellaneous	83,571	29,120	112,691
<i>Total Revenues</i>	<u>8,381,425</u>	<u>1,347,304</u>	<u>9,728,729</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,275,808	266,545	4,542,353
Special	483,209	322,990	806,199
Vocational	204,392	0	204,392
Support Services:			
Pupil	375,416	539	375,955
Instructional Staff	315,178	145,685	460,863
Board of Education	50,381	0	50,381
Administration	1,041,673	82,899	1,124,572
Fiscal	290,212	61,067	351,279
Business	8,704	0	8,704
Operation and Maintenance of Plant	672,031	18,240	690,271
Pupil Transportation	965,244	0	965,244
Central	0	4,501	4,501
Operation of Non-Instructional Services	0	462,298	462,298
Extracurricular Activities	102,205	96,537	198,742
Debt Service:			
Principal Retirement	5,007	148,223	153,230
Interest and Fiscal Charges	872	70,074	70,946
<i>Total Expenditures</i>	<u>8,790,332</u>	<u>1,679,598</u>	<u>10,469,930</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<u>(408,907)</u>	<u>(332,294)</u>	<u>(741,201)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	1,751	0	1,751
Transfers In	0	298,297	298,297
Transfers Out	(298,297)	0	(298,297)
<i>Total Other Financing Sources (Uses)</i>	<u>(296,546)</u>	<u>298,297</u>	<u>1,751</u>
<i>Net Change in Fund Balance</i>	(705,453)	(33,997)	(739,450)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>871,198</u>	<u>538,275</u>	<u>1,409,473</u>
<i>Fund Balances End of Year</i>	<u>\$165,745</u>	<u>\$504,278</u>	<u>\$670,023</u>

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2004*

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**Net Change in Fund Balances - Total Governmental Funds** (\$739,450)

*Amounts reported for governmental activities in the statement of activities  
are different because*

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays.

Capital Asset Additions	335,036	
Depreciation Expense	<u>(369,862)</u>	(34,826)

The cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets in the statement of activities. (12,083)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Taxes	15,944	
Grants	<u>(4,731)</u>	11,213

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 153,230

Some expenses reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Intergovernmental Payable	(245)	
Vacation Benefits Payable	(4,515)	
Sick Leave Benefits Payable	<u>22,711</u>	17,951

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 465,749

*Change in Net Assets of Governmental Activities* (\$138,216)

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$1,954,000	\$1,959,000	\$1,963,832	\$4,832
Intergovernmental	6,068,400	5,919,939	5,921,316	1,377
Investment Earnings	21,000	10,000	7,708	(2,292)
Tuition and Fees	42,075	430,575	448,010	17,435
Miscellaneous	16,100	75,413	72,222	(3,191)
<i>Total Revenues</i>	<u>8,101,575</u>	<u>8,394,927</u>	<u>8,413,088</u>	<u>18,161</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,171,080	4,448,469	4,267,497	180,972
Special	593,779	588,880	530,614	58,266
Vocational	268,442	267,512	254,152	13,360
Adult	1,600	1,600	0	1,600
Support Services:				
Pupil	395,776	403,036	376,296	26,740
Instructional Staff	375,766	364,017	325,381	38,636
Board of Education	76,269	77,769	53,140	24,629
Administration	1,021,544	1,086,334	1,039,887	46,447
Fiscal	301,299	297,938	288,347	9,591
Business	9,600	9,600	8,704	896
Operation and Maintenance of Plant	809,210	784,210	709,257	74,953
Pupil Transportation	1,042,211	1,029,850	968,998	60,852
Extracurricular Activities	111,890	111,890	101,639	10,251
<i>Total Expenditures</i>	<u>9,178,466</u>	<u>9,471,105</u>	<u>8,923,912</u>	<u>547,193</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<u>(1,076,891)</u>	<u>(1,076,178)</u>	<u>(510,824)</u>	<u>565,354</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	1,700	1,751	51
Refund of Prior Year Expenditures	16,000	16,000	7,308	(8,692)
Advances In	103,595	133,595	133,595	0
Advances Out	0	(30,000)	(30,000)	0
Transfers Out	(278,300)	(278,300)	(298,297)	(19,997)
Refund of Prior Year Receipts	(746)	(60,060)	(127)	59,933
<i>Total Other Financing Sources (Uses)</i>	<u>(159,451)</u>	<u>(217,065)</u>	<u>(185,770)</u>	<u>31,295</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(1,236,342)</u>	<u>(1,293,243)</u>	<u>(696,594)</u>	<u>596,649</u>
<i>Fund Balance Beginning of Year</i>	<u>1,017,376</u>	<u>1,017,376</u>	<u>1,017,376</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>276,936</u>	<u>276,936</u>	<u>276,936</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$57,970</u></u>	<u><u>\$1,069</u></u>	<u><u>\$597,718</u></u>	<u><u>\$596,649</u></u>

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2004*

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	<u>Medical, Dental, Vision, Life Self-Insurance</u>
<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agents	<u>\$320,845</u>
<i>Total Assets</i>	<u>320,845</u>
<b>Current Liabilities</b>	
Claims Payable	<u>222,435</u>
<i>Total Liabilities</i>	<u>222,435</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$98,410</u></u>

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2004*

	Medical, Dental, Vision, Life Self-Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,753,980
<b>Operating Expenses</b>	
Purchased Services	194,966
Claims	1,094,524
<i>Total Operating Expenses</i>	1,289,490
<i>Operating Income</i>	464,490
<b>Non-Operating Revenues:</b>	
Interest	1,259
<i>Change in Net Assets</i>	465,749
<i>Net Assets (Deficit) Beginning of Year</i>	(367,339)
<i>Net Assets End of Year</i>	\$98,410

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Statement of Cash Flows*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Medical, Dental, Vision, Life Self-Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Transactions with Other Funds	\$1,753,980
Cash Payments to Suppliers for Services	(194,966)
Cash Payments for Claims	(1,135,833)
<i>Net Cash Provided by Operating Activities</i>	423,181
<b>Cash Flows from Noncapital Financing Activities:</b>	
Advances Out	(103,595)
<b>Cash Flows from Investing Activities:</b>	
Interest	1,259
Net Increase in Cash and Cash Equivalents	320,845
<i>Cash and Cash Equivalents Beginning of Year</i>	0
<i>Cash and Cash Equivalents End of Year</i>	\$320,845
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$464,490
<b>Changes in Assets and Liabilities</b>	
Decrease in Claims Payable	(41,309)
<i>Net Cash Provided by Operating Activities</i>	\$423,181

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2004*

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	Private Purpose Trust	
	<u>Scholarships</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$33,960</u>	<u>\$2,832</u>
<i>Total Assets</i>	<u>33,960</u>	<u><u>\$2,832</u></u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u><u>\$2,832</u></u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u><u>\$33,960</u></u>	

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Private Purpose Trust
	Parsons Scholarship
<b>Additions</b>	
Interest	\$344
<b>Deductions</b>	
Scholarships	545
<i>Change in Net Assets</i>	(201)
<i>Net Assets Beginning of Year</i>	34,161
<i>Net Assets End of Year</i>	\$33,960

See accompanying notes to the basic financial statements

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 1 - Description of the School District and Reporting Entity**

Noble Local School District, Noble County (the School District), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 57 classified and 85 certified full time teaching personnel who provide services to 1,220 students and other community members.

***Reporting Entity:***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Mid-East Ohio Career and Technology Centers, the East Central Ohio Special Education Regional Resource Center, and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations; the Ohio Association of School Business Officials, Workers' Compensation Group Rating Plan, and the Ohio School Plan, which are defined as insurance purchasing pools; and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, which is defined as a claims servicing pool. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the Noble Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below:

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by the School District can be classified using three categories, governmental, proprietary, and fiduciary.

**Governmental Fund Types:**

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

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

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Fund Type:***

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The School District's only proprietary fund type is an Internal Service Fund.

**Internal Service Fund** - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, dental, vision, and life insurance.

***Fiduciary Fund Types:***

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust fund accounts for assets that provide college scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

***C. Measurement Focus and Basis of Accounting***

**Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**Fund Financial Statements**

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity. The private purpose trust fund is reported using the economic resources measurement focus.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-Exchange Transactions**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The 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 governmental funds.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***E. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***F. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During the fiscal year, the School District invested in STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2004. The School District also invested in federal government securities, which are reported at fair value based on quoted market prices.

The School District utilizes OMERESA to account for the self insurance internal service fund. This interest bearing depository account is presented in the financial statements as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$12,882, which includes \$8,891 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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reported as investments.

***G. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased commodities held for resale.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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 fiscal year in which services are consumed.

***I. Capital Assets***

The School District's capital assets are general capital assets generally resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 10 years

***J. Interfund Assets/Liabilities***

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees with twenty or more years of current service with the School District.

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

***M. Interfund Activity***

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

***N. Fund Balance Reserves***

The School District reserves those portions of fund balance 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, property taxes, the non-expendable portion of the permanent fund, and unclaimed monies.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service, athletic and music programs, and federal and state grants restricted for specified purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***R. 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.

**Note 3 - Changes in Accounting Principle and Restatement of Fund Balance**

For fiscal year 2004, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between business-type activities, if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2004, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2003.

**Noble Local School District, Ohio**  
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GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of this statement did not have any effect on the presentation School District's budgetary financial statements for fiscal year 2004.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**Restatement of Fund Balance** It was determined that the Food Service and the Uniform School Supplies Enterprise Funds should be reclassified as special revenue funds. This restatement and the implementation of Interpretation No. 6 had the following effects on fund balance of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor	Total
Fund Balances, June 30, 2003	\$848,339	\$548,553	\$1,396,892
Fund Reclassification	0	(38,706)	(38,706)
Intergovernmental Payable	0	14,345	14,345
Interpretation 6	22,859	14,083	36,942
Adjusted Fund Balances, June 30, 2003	\$871,198	\$538,275	1,409,473
GASB 34 Adjustments:			
Internal Service			(367,339)
Capital Assets			5,947,752
Pension Obligation			(75,715)
Vacation Benefits Payable			(33,398)
Long-term Liabilities			(1,703,753)
Long-term (Deferred) Assets			444,486
Governmental Activities Net Assets, June 30, 2003			\$5,621,506

	Business-Type Activities
Fund Equity, June 30, 2003	(\$6,755)
Fund Reclassification	6,755
Adjusted Net Assets, June 30, 2003	\$0

**Note 4 – Accountability and Compliance**

The following funds had deficit fund balances as of June 30, 2004:

**Noble Local School District, Ohio**  
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	<u>Deficit</u> <u>Fund Balances</u>
<b><u>Special Revenue Funds:</u></b>	
Disadvantaged Pupil Impact Aid	\$95
Lunchroom	\$9,093
Miscellaneous State Grants	\$289
Title IV-A	\$13,576

The deficits in the Special Revenue Funds are the result of expenditures being made in excess of revenues as well as the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Unrecorded interest is reported on the balance sheet (GAAP basis), but not on the budgetary basis.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

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Net Change in Fund Balance

GAAP Basis	(\$705,453)
Revenue Accruals	44,145
Expenditure Accruals	82
Unreported Interest:	
Fiscal Year 2003	40,323
Fiscal Year 2004	(45,497)
Prepaid Items:	
Fiscal Year 2003	148,008
Fiscal Year 2004	(156,842)
Advances In	133,595
Advances Out	(30,000)
Encumbrances	<u>(124,955)</u>
Budget Basis	<u><u>(\$696,594)</u></u>

**Note 6 - Deposits and Investments**

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 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 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,

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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 only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held until 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$608,664 and the bank balance was \$517,670. Of the bank balance:

1. \$110,817 was covered by federal depository insurance; and
2. \$406,853 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or

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registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School 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 School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

Investment	Category 1	Fair Value	Rate	Maturity
Government Securities:				
Federal Home Loan Bank - Notes	\$115,000	\$113,203	2.22%	06/23/2006
Federal National Mortgage Association - Notes	100,000	98,063	2.07%	07/14/2006
Federal National Mortgage Association - Discount Notes	149,532	149,610		09/08/2004
Federal National Mortgage Association - Discount Notes	98,534	98,430		04/01/2005
Federal Home Loan Mortgage Corporation - Discount Notes	149,256	149,340		10/15/2004
StarOhio	0	429,261		
<b>Total</b>	<b>\$612,322</b>	<b>\$1,037,907</b>		

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,646,571	\$0
Investments:		
Federal Agency Securities	(608,646)	608,646
STAROhio	(429,261)	429,261
GASB Statement 3	<b>\$608,664</b>	<b>\$1,037,907</b>

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property

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taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. The School District did not receive its June Personal Property Tax settlement until July, 2004.

The School District receives property taxes from Guernsey, Monroe, and Noble Counties. The Noble County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late settlement of tangible personal property tax were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is deferred. The amount available as an advance at June 30, 2004, was \$282,800 and is recognized as revenue in the General Fund. The amount available as an advance at June 30, 2003, was \$334,736 in the General Fund and \$6,004 in the Classroom Facilities Special Revenue Fund.

The late settlement of personal property tax is recorded as revenue in the General Fund in the amount of \$14,730.

The assessed values upon which the fiscal year 2004 taxes were collected are:

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	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$64,402,220	73.76%	\$68,469,610	74.20%
Public Utility Personal	20,919,370	23.96%	21,512,910	23.32%
Tangible Personal	1,993,830	2.28%	2,290,490	2.48%
	\$87,315,420	100.00%	\$92,273,010	100.00%

Tax Rate per \$1,000 of assessed valuation                      \$31.00    \$30.50

**Note 8 - Receivables**

Receivables at June 30, 2004, consisted of property taxes, accounts (billings for user charged services and tuition and fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<b>Governmental Activities</b>	
Miscellaneous	\$933
School Lunch Reimbursement	20,232
IDEA Part-B	35,640
Title I	57,764
Title V	4,444
Title VI-A	1,996
Title IIA	62,401
Title IID	5,905
Total Intergovernmental Receivables	\$189,315

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

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	Balance 6/30/2003	Additions	Deductions	Balance 6/30/2004
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$21,025	\$0	\$0	\$21,025
Depreciable Capital Assets:				
Land Improvements	800,704	0	0	800,704
Buildings and Improvements	7,859,604	10,112	0	7,869,716
Furniture and Equipment	1,932,662	151,136	(30,502)	2,053,296
Vehicles	1,442,897	173,788	(178,626)	1,438,059
Total Capital Assets being Depreciated	<u>12,035,867</u>	<u>335,036</u>	<u>(209,128)</u>	<u>12,161,775</u>
Less Accumulated Depreciation				
Land Improvements	(733,219)	(20,222)	0	(753,441)
Buildings and Improvements	(3,041,097)	(157,826)	0	(3,198,923)
Furniture and Equipment	(1,393,923)	(89,368)	25,042	(1,458,249)
Vehicles	(940,901)	(102,446)	172,003	(871,344)
Total Accumulated Depreciation	<u>(6,109,140)</u>	<u>(369,862) *</u>	<u>197,045</u>	<u>(6,281,957)</u>
Total Capital Assets being Depreciated, Net	<u>5,926,727</u>	<u>(34,826)</u>	<u>(12,083)</u>	<u>5,879,818</u>
Capital Assets, Net	<u>\$5,947,752</u>	<u>(\$34,826)</u>	<u>(\$12,083)</u>	<u>\$5,900,843</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$144,421
Special	17,438
Vocational	5,889
Support Services:	
Pupil	11,653
Instructional Staff	19,091
Administration	20,709
Fiscal	1,686
Operation and Maintenance of Plant	15,413
Pupil Transportation	100,140
Food Service Operations	17,031
Extracurricular Activities	16,391
Total Depreciation Expense	<u>\$369,862</u>

## Note 10 - Risk Management

### A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Ohio School Plan for property insurance and Hartford Insurance Company for boiler and machinery coverage. These policies include a \$500 deductible.

Professional liability is protected by the Ohio School Plan, with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate and no deductible. Vehicles are covered by State Farm Mutual Insurance for

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comprehensive and collision with no deductible. Automobile liability has a \$1,000,000 combined single limit of liability.

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

***B. Workers' Compensation***

For fiscal year 2004, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The 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 GRP rather than its individual rate. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria.

The GRP's business and affairs are conducted by a five member Board of Directors. Each year, the participants pay an enrollment fee to Sheakley Uniservice, Inc. to cover the costs of administering the program.

***C. Employee Medical and Life Benefits***

Medical/surgical, dental, life, and vision insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$222,435 reported in the internal service fund at June 30, 2004, is based on an estimate by OME-RESA due to the application of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the increased claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for 2003 and 2004 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2003	\$134,101	\$1,271,276	\$1,141,633	\$263,744
2004	\$263,744	\$1,094,524	\$1,135,833	\$ 222,435

**Note 11 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report

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may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$111,710, \$92,019, and \$63,702, respectively; 48.12 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations

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of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$529,417, \$483,559, and \$378,985, respectively; 83.06 percent has been contributed for fiscal year 2004, and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$903 made by the School District and \$3,483 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, there are no employees who have elected Social Security.

**Note 12 - Postemployment Benefits**

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

STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$40,724 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$77,389.

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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. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Note 13 - Other Employee Benefits**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus ninety, not to exceed 245 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum payment of 55 days for certified employees and 50 days for classified employees. For all days remaining beyond the maximum, classified employees are paid \$12 per day while teachers and administrators are paid at the rate of one day for every ten unused sick leave days at the regular rate of pay.

**Note 14 - Capital Leases**

The School District has entered into capitalized leases for copier equipment and a new building wing. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2004 were \$153,230.

	Governmental Activities
Property under Capital Lease	\$1,675,048
Less Accumulated Depreciation	(150,754)
Total June 30, 2004	\$1,524,294

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

Fiscal Year	Amount
2005	\$224,117
2006	223,982
2007	218,296
2008	218,297
2009-2010	436,595
Total	1,321,287
Less: Amount Representing Interest	(218,139)
Present Value of Net Minimum Lease Payments	\$1,103,148

**Note 15 - Long-Term Obligations**

Changes in general long-term obligations of the School District during fiscal year 2004 were as follows:

	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Amounts Due within One Year
Capital Leases Payable	\$1,256,378	\$0	\$153,230	\$1,103,148	\$162,290
Sick Leave Benefits Payable	447,375	26,099	48,810	424,664	130,547
Total Long-Term Obligations	\$1,703,753	\$26,099	\$202,040	\$1,527,812	\$292,837

The capital lease will be paid from the General and Permanent Improvement Capital Projects Funds. Sick leave benefits will be paid from the General Fund and the Lunchroom, IDEA-B, and Miscellaneous Federal Grants Special Revenue Funds.

The School District's overall legal debt margin at June 30, 2004, was \$8,520,173, with an unvoted debt margin of \$92,273.

**Note 16 - Interfund Activity**

Interfund balances at June 30, 2004, consist of the following individual fund receivables and payables:

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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	Interfund Receivable	Interfund Payable
General Fund	\$15,966	\$0
Special Revenue Funds:		
Other State Grants	0	14,486
IDEA-B	0	1,480
Total Special Revenue Funds	0	15,966
Total All Funds	\$15,966	\$15,966

At June 30, 2004, the General Fund had an interfund receivable resulting from the provision of cash flow resources from the General Fund until the receipt of grant monies by Special Revenue Funds.

During the year, the General Fund transferred \$298,297 to non-major governmental funds to help reduce deficit fund balances.

**Note 17 - Jointly Governed Organizations**

***Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)*** - OME-RESA was created as a regional council of governments pursuant to State statutes. OME-RESA has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, and Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. During fiscal year 2004, the Noble Local School District paid \$19,420 for services to OME-RESA. Financial statements can be obtained from OME-RESA, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

***Mid-East Ohio Career and Technology Centers*** - The Mid-East Ohio Career and Technology Centers 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 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The board controls the financial activity of the Joint Vocational School District and reports to the Ohio Department of Education and the Auditor of State of Ohio. Financial information can be obtained from Mid-East Ohio Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701. The School District made no payments to the Joint Vocational School District during fiscal year 2004.

***East Central Ohio Special Education Regional Resource Center*** - The East Central Ohio Special Education Regional Resource Center (ECO SERRC) is a special education service center which selects its own board, adopts its own budget, and receives direct federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in East Central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2004, the School District paid \$2,814 to ECO SERRC. Financial information can be obtained by

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

***Coalition of Rural and Appalachian Schools*** - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2004, the Noble Local School District paid \$360 to the Coalition.

**Note 18 - Insurance Purchasing Pools**

***A. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan***

*Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP)* – The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administration, cost control, and actuarial services to the GRP.

***B. Ohio School Plan***

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the President of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**Note 19 - Claims Servicing Pool**

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, a claims servicing pool composed of fifty members. The Plan's business and affairs are conducted by a nine member Board of Directors elected by the OME-RESA's assembly. The member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk. The Plan acts solely as the claims servicing agent.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 20 - 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 decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

**Note 21 - Set-Aside Calculations**

The Noble Local School 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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information describes the changes in the year end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by the State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2003	(\$50,709)	\$0
Current year set-aside requirement	156,508	156,508
Offsets	0	(234,945)
Qualifying Disbursements	<u>(206,217)</u>	<u>(214,771)</u>
Totals	<u>(\$100,418)</u>	<u>(\$293,208)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$100,418)</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years.

**Note 22 - Contingencies**

**A. Grants**

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**Noble Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***B. Litigation***

The Noble Local School District is currently not a party to any legal proceedings.

**Note 23 – Subsequent Events**

The Noble Local School District approved a Budget Reduction Plan on March 17, 2005. The Budget Reduction Plan is organized in three tiers, with each tier representing a more severe level of financial emergency and including more drastic levels of cost containment. Tier I reductions were implemented for fiscal year 2004. The Board placed a 5 mill Permanent Improvement Levy on the May 3, 2005 ballot.

The Noble Local School District was placed in Fiscal Caution on March 30, 2005 due to a potential deficit.

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**NOBLE LOCAL SCHOOL DISTRICT  
NOBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR <i>Pass-Through Grantor/ Program Title</i>	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Donation	N/A	10.550	\$0	\$28,055	\$0	\$28,762
School Breakfast Program	048900-05-PU-04	10.553	18,827		18,827	
National School Lunch Program	048900-LL-P4-03 048900-LL-P4-04	10.555 10.555	10,595 75,337		10,595 75,337	
Total National School Lunch Program			<u>85,932</u>	<u>0</u>	<u>85,932</u>	<u>0</u>
Total United States Department of Agriculture - Child Nutrition Cluster			104,759	28,055	104,759	28,762
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Grants to Local Educational Agencies	048900-C1-S1-03 048900-C1-S1-04	84.010 84.010	45,600 327,188		59,904 297,713	
Total Title I			372,788	0	357,617	0
Special Education Cluster:						
Special Education Grants to States (Title VI-B)	048900-6B-SF-03P 048900-6B-SF-04P	84.027 84.027	13,839 132,978		20,602 131,812	
Total Special Education Grants to States			146,817	0	152,414	0
Special Education Preschool Grants	048900-PG-S1-03 048900-PG-S1-04	84.173 84.173	8,743		874 8,743	
Total Special Education Preschool Grants			<u>8,743</u>	<u>0</u>	<u>9,617</u>	<u>0</u>
Total Special Education Cluster			155,560	0	162,031	0
Safe and Drug-Free Schools and Communities						
State Grants	048900-DR-S1-03 048900-DR-S1-04	84.186 84.186	3,601 1,852		276 2,968	
Total Safe and Drug-Free Schools and Communities State Grants			5,453	0	3,244	0
Goals 2000 - State and Local Education Systematic Improvement Grants	048900-G2-S2-00	84.276	(1,354)			
State Grant for Innovative Programs	048900-C2-S1-03 048900-C2-S1-04	84.298 84.298	(907) 6,505		167 5,624	
Total State Grant for Innovative Programs			5,598	0	5,791	0
Education Technology State Grants	048900-TJ-S1-03 048900-TJ-S1-04	84.318 84.318	(863) 5,434		3,183	
Total Education Technology State Grants			4,571	0	3,183	0
Advanced Placement Program	048900-AT-S3-02	84.352A	(127)			
Rural Education	048900-RU-S1-03	84.358	(64)		13,294	
Improving Teacher Quality State Grant	048900-TR-S1-03 048900-TR-S1-04	84.367 84.367	4,887 67,575		18,935 57,613	
Total Improving Teacher Quality State Grant			<u>72,462</u>	<u>0</u>	<u>76,548</u>	<u>0</u>
Total United States Department of Education			<u>614,887</u>	<u>0</u>	<u>621,708</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$719,646</u></b>	<b><u>\$28,055</u></b>	<b><u>\$726,467</u></b>	<b><u>\$28,762</u></b>

The accompanying Notes to this Schedule of Federal Awards Receipts and Expenditures is an integral part of this Schedule.

**NOBLE LOCAL SCHOOL DISTRICT  
NOBLE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**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**

Noble Local School District  
Noble County  
20977 Zep Road East  
Sarahsville, Ohio 43779

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Noble Local School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 28, 2005, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. 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 School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions 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 involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated April 28, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 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 School District's management dated April 28, 2005, we reported another matter related to noncompliance we deemed immaterial.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
www.auditor.state.oh.us

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. 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 28, 2005



## Auditor of State Betty Montgomery

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

Noble Local School District  
Noble County  
20977 Zep Road East  
Sarahsville, Ohio 43779

To the Board of Education:

#### Compliance

We have audited the compliance of the Noble Local School District, Noble County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2004. The Summary of Auditor's Results Section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

#### Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. 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 28, 2005

**NOBLE LOCAL SCHOOL DISTRICT  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 SECTION .505  
JUNE 30, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under Section .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, Grants to Local Educational Agencies – C.F.D.A. 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**NOBLE LOCAL SCHOOL DISTRICT  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 SECTION .505  
JUNE 30, 2004  
(Continued)**

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

There were no findings related to the financial statements required to be reported herein.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards that were required to be reported herein.



**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140  
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800-282-0370  
Facsimile 614-466-4490

**NOBLE LOCAL SCHOOL DISTRICT**

**NOBLE 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 24, 2005**