ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2002 - 2001

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

Auditor of State
Betty Montgomery

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January 21, 2003

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Anna Local School District
Shelby County
One McRill Way
Anna, Ohio 45302

To the Members of the Board of Education:

We have audited the accompanying general-purpose financial statements of the Anna Local School District, Shelby County, (the District) as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Anna Local School District, Shelby County, as of June 30, 2002 and 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Jim Petro
Auditor of State

January 10, 2003

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ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

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

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	$1,985,511	$164,087	$1,213,959	$197,040
Cash and Cash Equivalents With Fiscal Agents		3,815	1,750	
Receivables:				
Property Taxes	5,266,250		1,036,626	299,474
Income Taxes	169,669			
Accounts	1,327			
Intergovernmental	3,650	73,357		
Accrued Interest	989			
Interfund	140,026			
Inventory of Supplies and Materials				
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	63,888			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	7,631,310	241,259	2,252,335	496,514
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	146,106	224		
Accrued Wages and Benefits Payable	645,690			
Intergovernmental Payable	131,789	278		
Interfund Payable		73,357		66,669
Due to Students				
Matured Interest Payable			1,750	
Deferred Revenue	5,172,996	12,737	1,012,606	292,571
Compensated Absences Payable	6,506			
General Obligation Bonds Payable				
Total Liabilities	6,103,087	86,596	1,014,356	359,240
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balance:				
Reserved for Encumbrances	198,241	995		144,258
Reserved for Property Taxes	112,989		24,020	6,903
Reserved for School Bus Purchases	63,888			
Unreserved (Deficit)	1,153,105	153,668	1,213,959	(13,887)
Total Fund Equity and Other Credits	1,528,223	154,663	1,237,979	137,274
Total Liabilities, Fund Equity and Other Credits	$7,631,310	$241,259	$2,252,335	$496,514

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$138,253	$62,872			$3,761,722
				5,565
				6,602,350
				169,669
				1,327
4,356				81,363
				989
				140,026
1,859				1,859
9,636				9,636
				63,888
22,032		$15,823,668		15,845,700
			$1,237,979	1,237,979
			7,699,939	7,699,939
176,136	62,872	15,823,668	8,937,918	35,622,012
6,216				152,546
19,802				665,492
14,173			46,139	192,379
				140,026
	62,872			62,872
				1,750
				6,490,910
14,606			441,779	462,891
			8,450,000	8,450,000
54,797	62,872		8,937,918	16,618,866
		15,823,668		15,823,668
121,339				121,339
				343,494
				143,912
				63,888
				2,506,845
121,339		15,823,668		19,003,146
$176,136	$62,872	$15,823,668	$8,937,918	$35,622,012

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

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

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues:					
Property Taxes	$4,410,929		$1,042,991	$74,539	$5,528,459
Income Taxes	450,231				450,231
Intergovernmental	2,399,632	$167,967	56,104	7,540	2,631,243
Interest	98,953			309	99,262
Tuition and Fees	8,991				8,991
Rent	5,935				5,935
Extracurricular Activities	17,049	138,832		2,500	158,381
Gifts and Donations	11,402			70,514	81,916
Miscellaneous	489,287		4,959		494,246
Total Revenues	7,892,409	306,799	1,104,054	155,402	9,458,664
Expenditures:					
Current:					
Instruction:					
Regular	3,544,074	46,730			3,590,804
Special	422,790	75,249			498,039
Vocational	220,121				220,121
Adult/Continuing	5,093				5,093
Other					
Support Services:					
Pupils	329,495	27,996		4,999	362,490
Instructional Staff	259,966	40,310			300,276
Board of Education	70,660				70,660
Administration	687,066	3,072			690,138
Fiscal	223,882		13,710	1,507	239,099
Business	53,416				53,416
Operation and Maintenance of Plant	792,279				792,279
Pupil Transportation	531,776				531,776
Central	7,515				7,515
Operation of Non-Instructional Services	179				179
Extracurricular Activities	227,568	132,971			360,539
Capital Outlay	246,646			71,791	318,437
Debt Service:					
Principal Retirement			350,000		350,000
Interest and Fiscal Charges			447,770		447,770
Total Expenditures	7,622,526	326,328	811,480	78,297	8,838,631
Excess of Revenues Over (Under) Expenditures	269,883	(19,529)	292,574	77,105	620,033
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	1,370				1,370
Loss on Sale of Investment				(2,456)	(2,456)
Total Other Financing Sources (Uses)	1,370			(2,456)	(1,086)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	271,253	(19,529)	292,574	74,649	618,947
Fund Balances at Beginning of Year	1,256,970	174,192	945,405	62,625	2,439,192
Fund Balances at End of Year	$1,528,223	$154,663	$1,237,979	$137,274	$3,058,139

See Accompanying Notes to the General Purpose Financial Statements.

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ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes		$4,403,611	$4,403,611			
Income Taxes		446,622	446,622			
Intergovernmental	$6,615,443	2,395,982	(4,219,461)	$120,411	$51,500	($68,911)
Interest		92,058	92,058			
Tuition and Fees		8,869	8,869			
Rent		5,935	5,935			
Extracurricular Activities		21,693	21,693	120,557	142,005	21,448
Gifts and Donations		11,402	11,402			
Miscellaneous		467,148	467,148			
Total Revenues	6,615,443	7,853,320	1,237,877	240,968	193,505	(47,463)
Expenditures:						
Current:						
Instruction:						
Regular	7,180,733	3,546,781	3,633,952	104,420	46,686	57,734
Special	133,120	368,093	(234,973)	57,859	44,775	13,084
Vocational	6,196	238,002	(231,806)	192		192
Adult/Continuing	3,758	5,141	(1,383)			
Other	-	46,581	(46,581)			
Support Services:						
Pupils	11,058	353,318	(342,260)	41,999	25,954	16,045
Instructional Staff	1,097	256,263	(255,166)	15,160	27,666	(12,506)
Board of Education	145,000	70,660	74,340			
Administration	9,297	690,383	(681,086)	1,660	3,072	(1,412)
Fiscal	4,800	224,261	(219,461)	54,390		54,390
Business	528	53,327	(52,799)			
Operation and Maintenance of Plant	47,735	793,367	(745,632)			
Pupil Transportation	612	545,448	(544,836)			
Central	100,000	7,568	92,432			
Operation of Non-Instructional Services		179	(179)			
Extracurricular Activities	29,905	227,209	(197,304)	136,131	136,131	
Capital Outlay	703,150	349,113	354,037			
Intergovernmental				5,387		5,387
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	8,376,989	7,775,694	601,295	417,198	284,284	132,914
Excess of Revenues Over (Under) Expenditures	(1,761,546)	77,626	1,839,172	(176,230)	(90,779)	85,451
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets		1,370	1,370			
Refund of Prior Year Expenditures		22,028	22,028		164	164
Advances In	109,386	79,554	(29,832)		73,357	73,357
Advances Out		(140,026)	(140,026)		(4,554)	(4,554)
Total Other Financing Sources (Uses)	109,386	(37,074)	(146,460)		68,967	68,967
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,652,160)	40,552	1,692,712	(176,230)	(21,812)	154,418
Fund Balances at Beginning of Year	1,425,924	1,425,924		177,640	177,640	
Prior Year Encumbrances Appropriated	224,994	224,994		7,264	7,264	
Fund Balances (Deficit) at End of Year	($1,242)	$1,691,470	$1,692,712	$8,674	$163,092	$154,418

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
$1,056,218	$1,047,813	($8,405)	$124,000	$67,635	($56,365)
	56,104	56,104	2,500	7,540	5,040
			317	317	
				2,500	2,500
			134,472	72,453	(62,019)
1,056,218	1,103,917	47,699	261,289	150,445	(110,844)
			6,091	6,091	
1,938,097	13,710	1,924,387		1,400	(1,400)
				90,944	(90,944)
			230,505	125,105	105,400
	350,000	(350,000)			
	447,770	(447,770)			
1,938,097	811,480	1,126,617	236,596	223,540	13,056
(881,879)	292,437	1,174,316	24,693	(73,095)	(97,788)
	4,959	4,959			
				66,669	66,669
				(75,000)	(75,000)
	4,959	4,959		(8,331)	(8,331)
(881,879)	297,396	1,179,275	24,693	(81,426)	(106,119)
916,563	916,563		109,116	109,116	
			25,093	25,093	
$34,684	$1,213,959	$1,179,275	$158,902	$52,783	($106,119)

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Enterprise
Operating Revenues:	
Sales	$343,928
Operating Expenses:	
Salaries	130,325
Fringe Benefits	56,361
Purchased Services	3,354
Cost of Sales	222,726
Depreciation	12,181
Total Operating Expenses	424,947
Operating Loss	(81,019)
Non-Operating Revenues (Expenses):	
Interest	1,309
Federal Donated Commodities	27,347
Federal and State Subsidies	46,877
Loss on Sale of Fixed Assets	(371)
Total Non-Operating Revenues (Expenses)	75,162
Net Income	(5,857)
Retained Earnings at Beginning of Year	127,196
Retained Earnings at End of Year	$121,339

See Accompanying Notes to the General Purpose Financial Statements.

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

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

	Enterprise		
	Revised Budget	**Actual**	**Variance Favorable (Unfavorable)**
Revenues:			
Sales	$371,460	$343,928	($27,532)
Interest		1,309	1,309
Federal and State Subsidies		46,488	46,488
Total Revenues	371,460	391,725	20,265
Expenses:			
Salaries	357,574	129,979	227,595
Fringe Benefits		57,105	(57,105)
Purchased Services	450	3,354	(2,904)
Supplies and Materials	155,875	199,409	(43,534)
Capital Outlay		115	(115)
Total Expenses	513,899	389,962	123,937
Excess of Revenues Over (Under) Expenses	(142,439)	1,763	144,202
Fund Equity at Beginning of Year	106,413	106,413	
Prior Year Encumbrances Appropriated	23,457	23,457	
Fund Equity at End of Year	($12,569)	$131,633	$144,202

See Accompanying Notes to the General Purpose Financial Statements.

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

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

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$343,928
Cash Payments for Employee Services and Benefits	(187,084)
Cash Payments to Suppliers for Goods and Services	(196,258)
Net Cash Used For Operating Activities	(39,414)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	46,488
Cash Flows from Investing Activities:	
Interest	1,309
Net Increase in Cash and Cash Equivalents	8,383
Cash and Cash Equivalents Beginning of Year	129,870
Cash and Cash Equivalents End of Year	$138,253
Reconcilation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss	(81,019)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:	
Depreciation	12,181
Donated Commodities	27,347
Changes in Assets and Liabilities:	
Increase in Inventory of Supplies and Materials	(241)
Increase in Inventory Held for Resale	(2,774)
Increase in Accounts Payable	5,489
Decrease in Accrued Wages and Benefits Payable	(293)
Decrease in Intergovernmental Payable	(459)
Increase in Compensated Absences Payable	355
Net Cash Used For Operating Activities	($39,414)

Non-Cash Transactions:

During fiscal year 2002, the Food Service Enterprise Fund received $27,347 in donated commodities.

See Accompanying Notes to the General Purpose Financial Statements.

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Anna Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and federal agencies.

The District serves an area of approximately 70 square miles. It is located in Shelby County, and includes all of the Villages of Anna and Kettlersville and all or part of Van Buren, Dinsmore, Franklin, Turtle Creek, Salem and McLean Townships. It is staffed by 55 non-certified employees, 68 certified full-time teaching personnel, and four administrative employees who provide services to 1,190 students and other community members. The District currently operates two instructional buildings and one vocational agriculture building.

A. Reporting Entity:

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

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

The District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Notes 18 and 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Anna Education Foundation
- Southwestern Ohio Instructional Technology Association
- Shelby County Local Professional Development Consortium

Insurance Purchasing Pools:

- Ohio School Boards Association Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

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

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

Enterprise Funds

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

3. Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

4. Account Groups

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The District has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. 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, income taxes, interest, grants, tuition and student fees.

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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The Eisenhower, Title III, Title VI-B and Preschool Special Revenue Funds' activity that is administered by a fiscal agent is not budgeted by the District.

The legal level of budgetary control is at the fund, object level for the General fund and the fund level for all other funds appropriated. Any budgetary modifications at this legal level of control may only be made by resolution of the Board of Education. The Treasurer has been given the authority to further allocate the Board's appropriations to the function and/or object levels within all funds.

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

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriation resolution was passed by the Board of Education.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, one supplemental appropriation was legally enacted, and it was significant. Total appropriations increased by $1,301,712 from $10,136,491 to $11,438,203.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all amendments and modifications. The financial statements are presented at a more detailed level than the legal level of control. Formal budgetary integration is employed as a management control device by the Board of Education during the fiscal year at the fund/object level for the general fund and at the fund level for the remaining funds other than the Eisenhower, Title III, Title VI-B and Preschool Special Revenue Funds and the agency fund, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

The balance of various grants administered by the fiscal agent is presented on the combined balance sheet in the special revenue funds as "cash and cash equivalents with fiscal agents" and represents deposits of the Shelby County Educational Service Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented as "cash and cash equivalents with fiscal agents."

During fiscal year 2002, investments consisted of Federal National Mortgage Association Notes, General Government Securities, Federal Home Loan Mortgage Corporation Notes and STAR Ohio. Investments are reported at fair market value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

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 2002 amounted to $98,953 which includes $47,446 assigned from other District funds. The Capital Projects and Enterprise funds also received interest in the amounts of $309 and $1,309, respectively.

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

E. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first out basis. Inventories of proprietary funds consist of donated food, purchased food, and non-food supplies and are expensed when used.

G. Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the General Fund represent unexpended grants restricted for school bus purchases.

H. Fixed Assets and Depreciation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 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 District's termination policy. The District records a liability for accumulated unused sick leave for all employees after eight years of current service with the District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the funds from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year-end are considered not to have been paid using current available financial resources. General obligation bonds are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Fund Balance Reserves

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Estimates

The presentation 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.

N. Total Columns on General Purpose Financial Statements

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

3. COMPLIANCE AND ACCOUNTABILITY

A. Compliance

The following funds had appropriations in excess of estimated revenues and available balances for the fiscal year ended June 30, 2002:

	Deficit
General Fund	$1,242
Special Revenue Fund:	
Ohio Reads	2,500

At June 30, 2002, the Athletic Complex Capital Projects Fund had an excess of expenditures plus encumbrances over appropriations at the fund level of $4,383.

B. Accountability

At June 30, 2002, the following funds had deficit fund balances due to the application of generally accepted accounting principles:

3. COMPLIANCE AND ACCOUNTABILITY (Continued)

	Deficit Balance
Special Revenue Funds:	
Title I	$174
Schoolnet Tech Training	2,747
Title II	559
Title VI	4,381
Safe and Drug Free Schools	3,654
Title VI-R	104

The General Fund provides transfers to cover deficit balances; however, transfers are made when cash is needed rather than when accruals occur. The fund deficits in the Title VI and Safe and Drug Free Schools Funds will be eliminated when the advances in, shown as interfund payables, are paid.

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

4. The District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes (GAAP basis).

5. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

6. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	$271,253	($19,529)	$292,574	$74,649
Revenue Accruals	(9,022)	(57,283)	4,822	(4,957)
Expenditure Accruals	196,725	(18,988)	0	1,471
Non-Budgeted Activity	0	6,180	0	0
Unrecorded Cash	(8,039)	0	0	0
Advances (Net)	(60,472)	68,803	0	(8,331)
Outstanding Encumbrances	(349,893)	(995)	0	(144,258)
Budget Basis	$40,552	($21,812)	$297,396	($81,426)

Net Income/Excess of Revenues Over Expenses All Enterprise Funds

GAAP Basis	($5,857)
Revenue Accruals	(389)
Expense Accruals	(938)
Inventory of Supplies and Materials	241
Inventory Held for Resale	2774
Loss on Sale of Fixed Assets	371
Depreciation Expense	12,181
Outstanding Encumbrances	(6,620)
Budget Basis	$1,763

5. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

5. DEPOSITS AND INVESTMENTS (Continued)

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 accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the 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.

5. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee 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 District's deposits was $1,253,949 and the bank balance was $1,361,256. Of the bank balance, $335,770 was covered by federal depository insurance; and $1,025,486 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

At June 30, 2002, the District had “cash and cash equivalents with fiscal agents” in the special revenue debt service funds of $3,815 and $1,750, respectively. The money in the special revenue funds is held by the Shelby County Educational Service Center, which is the fiscal agent for several Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The classification for the Shelby County Educational Service Center as a whole can be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

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

	Category 2	Unclassified	Fair Value
Federal National Mortgage Association Notes	$627,437	$0	$627,437
General Government Securities	5,000		5,000
Federal Home Loan Mortgage Corporation Notes	1,202,190	0	1,202,190
STAR Ohio	0	737,034	737,034
Totals	$1,834,627	$737,034	$2,571,661

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *“Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”*

5. DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	$3,831,175	$0
Cash and Cash Equivalents With Fiscal Agent	(5,565)	0
Investments of the Cash Management Pool:		
Federal National Mortgage Association Notes	(627,437)	627,437
General Government Securities	(5,000)	5,000
Federal Home Loan Mortgage Corporation Notes	(1,202,190)	1,202,190
STAR Ohio	(737,034)	737,034
GASB Statement No. 3	$1,253,949	$2,571,661

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes for calendar year 2002 are levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 real and tangible personal property taxes for calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes for calendar year 2002 were levied after April 1, 2002, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is de April 30, with the remainder payable by September 20.

6. PROPERTY TAXES (Continued)

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

	2001 Second-Half Collections		2002 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$ 63,913,190	39.22%	$ 67,219,710	40.91%
Public Utility – Real	5,468,450	3.36	4,988,260	3.04
Tangible Personal Property	93,581,244	57.42	92,086,385	56.05
Total Assessed Value	$162,962,884	100.00%	$164,294,355	100.00%
Tax rate per $1,000 of assessed valuation	$36.40		$36.40	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 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. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was $112,989 in the General Fund, $24,020 in the Bond Retirement Debt Service Fund and $6,903 in the Permanent Improvement Capital Projects Fund.

7. INCOME TAX

The District levied a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1983, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

8. RECEIVABLES

Receivables at June 30, 2002, consisted of both property and income taxes, accounts (student fees), accrued interest, intergovernmental (grants and tuition), and interfund. All receivables are considered collectible in full.

8. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
SF-3 Adjustment	$3,650
Special Revenue Funds:	
Title I	47,709
Title II	936
Title VI-R	16,676
Title VI	4,382
Drug Free	3,654
Total Special Revenue Funds	73,357
Enterprise Fund:	
National School Lunch Reimbursement	4,356
Total Intergovernmental Receivables	$81,363

9. FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	$ 158,569
Less Accumulated Depreciation	(136,537)
Net Fixed Assets	$ 22,032

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	$801,578	$0	$0	$801,578
Buildings and Improvements	11,807,115	181,221	1,927	11,986,409
Improvements Other Than Buildings	185,558	225,687	0	411,245
Furniture, Fixtures and Equipment	1,598,347	344,761	127,550	1,815,558
Vehicles	689,472	141,661	22,255	808,878
Construction in Progress	38,063	0	38,063	0
Total General Fixed Assets	$15,120,133	$893,330	$189,795	$15,823,668

10. RISK MANAGEMENT

A. Property and Liability

The 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 2002, the District contracted with Nationwide Insurance for property insurance, with Great American Insurance for general liability and with Auto Owners for automobile insurance. Property insurance coverage includes the following:

10. RISK MANAGEMENT (Continued)

	Building	Contents
Middle High School	$13,500,000	$1,010,000
Agriculture Building	330,000	75,000
Grange	67,000	25,000
Greenhouse	31,000	1,000
Elementary	6,750,000	650,000
Storage Barn	12,000	1,000
Concession	67,000	20,000
Antenna	3,500	0
Shelter House	7,500	0
Track	130,000	0
Bleachers	11,500	0
Basketball Court lights, polls, fence	32,000	0
Storage – 304 E North	48,000	2,000
Storage – 200 Walnut	13,800	5,500
Building 1	207,000	20,000
Building 2	21,000	2,000
Building 3	120,000	2,000

General liability coverage is $2,000,000 per occurrence and $5,000,000 in aggregate. Automobile liability coverage is $2,000,000 and carries a $250 collision deductible.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were $56,436, $30,830, and $37,079, respectively; 56 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. $24,954 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by State statute per Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

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

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were $348,398, $328,330, and $191,669, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. $59,435 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

12. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired 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 premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $165,030 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was $3.256 billion. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were $300,772,000 and STRS had 102,132 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, the minimum pay was established at $12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled $100,021.

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, 2001 (the latest information available), were $161,439,934 and the target level was $242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of $315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, board policy, and State laws. Eligible classified employees and administrators earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time up to 50 days is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 216 days for all personnel. Upon retirement with five years of service, or upon separation with twenty years, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for all employees. Upon retirement, payment to the Treasurer and Superintendent is made for 35 percent of accrued, but unused sick leave credit to a maximum of 70 days.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance through Medical Life to most employees. Medical/surgical and dental benefits are provided by Anthem. Coverage for vision benefits is provided by Vision Service Plan.

C. Deferred Compensation Plan

The Superintendent and the Treasurer participate in the Anna Local School District Deferred Compensation Plan Which has been created in accordance with Internal Revenue Code Section 457. The Board contributes $5,000 each year for each participant. Employer contributions are vested at 50 percent after five-years of service and at 100 percent after ten years. All earnings are immediately vested to the participants. Additional voluntary payroll deduction contributions are permitted and are immediately vested. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

14. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2002 were as follows:

	Outstanding 6/30/01	Additions	Deductions	Outstanding 6/30/02
1998 School Building Construction/ Improvement Bonds–3.65% to 5.1%	$8,800,000	$0	$350,000	$8,450,000
Intergovernmental Payable	41,841	46,139	41,841	46,139
Compensated Absences Payable	404,733	37,046	0	441,779
Total General Long-Term Obligations	$9,246,574	$83,185	$391,841	$8,937,918

In fiscal year 1998, the District defeased general obligation bonds by placing enough money in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2001, the principal outstanding was $1,829,315.

14. LONG-TERM OBLIGATIONS (Continued)

School Building Construction and Improvement and Refunding General Obligation Bonds - On March 1, 1998, the District issued bonds in the amount of $9,740,000. The bonds were issued for the purpose of the defeasance of a 1992 School Improvement outstanding bond issue and for the purpose of reconstructing, renovating and expanding the high school building. The bonds were issued for a twenty-five year period with final maturity during fiscal year 2023. The bonds will be paid from the Bond Retirement Debt Service Fund.

Intergovernmental payable and compensated absences will be paid from the funds from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The District's overall legal debt margin was $7,574,471 with an unvoted debt margin of $164,294 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	$420,000	$432,160	$852,160
2004	460,000	414,005	874,005
2005	500,000	386,585	886,585
2006	535,000	349,450	884,450
2007	245,000	324,678	569,678
2008-2012	1,425,000	1,431,650	2,856,650
2013-2017	1,865,000	1,007,462	2,872,462
2018-2022	2,435,000	467,145	2,902,145
2023	565,000	14,408	579,408
Total	$8,450,000	$4,827,543	$13,277,543

15. INTERFUND ACTIVITY

Interfund balances at June 20, 2002, consist of the following individual fund receivables and payables:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	$140,026	$0
Special Revenue Funds:		
Title I	0	47,709
Title II	0	936
Title VI	0	4,382
Safe and Drug Free Schools	0	3,654
Title VI-R	0	16,676
Total Special Revenue Funds	0	73,357
Capital Projects Fund:		
Athletic Complex	0	66,669
Total All Funds	$140,026	$140,026

16. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2002, the District had contractual purchase commitments as follows:

Company	Project	Contract Amount	Amount Expended	Balance at 6/30/02
Cincinnati Floor	Replacing Gym Floor	$127,640	$98,272	$29,368
Buehler Asphalt	Clean and Fill Cracks	10,750	0	10,750
Gates Brothers Glass	Replacement of Windows	16,564	0	16,564
Cotterman and Company	Repair Roofs	12,000	0	12,000
Cardinal Bus Sales	Bus Purchases	107,201	0	107,201
DYSI Spectator Seating	Alum-A-Stand	35,922	0	35,922
Wells Brothers, Inc.	Dust Collector	24,500	0	24,500
Total		$334,577	$98,272	$236,305

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the. District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	$297,468	$46,460	343,928
Depreciation Expense	12,181	0	12,181
Operating Income (Loss)	(82,954)	1,935	(81,019)
Interest	1,309	0	1,309
Federal Donated Commodities	27,347	0	27,347
Federal and State Subsidies	46,877	0	46,877
Loss on Sale of Fixed Assets	(371)	0	(371)
Net Income	(7,792)	1,935	(5,857)
Fixed Assets Deletions	5,218	0	5,218
Net Working Capital	3,263	110,650	113,913
Total Assets	59,270	116,866	176,136
Long-Term Compensated Absences Payable	14,606	0	14,606
Total Equity	10,689	110,650	121,339
Encumbrances Outstanding at June 30, 2002	0	6,620	6,620

18. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization - The District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The District paid WOCO $26,975 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Anna Education Foundation - The Anna Education Foundation is a non-profit corporation whose purpose is to provide financial assistance for enhanced educational and/or career opportunities to residents, employees, and current and former students of the District. The board is made up of nine members, one of which is appointed by the School Board. The remaining eight members are elected by the Board of Trustees. Seven of the nine trustees must be residents of the District. No financial contributions occurred with this entity during fiscal year 2002. Information on this organization can be obtained from David Richard, who serves as Treasurer, at Post Office Box 475, Anna, Ohio 45302.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2002, the District paid $935 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Shelby County Local Professional Development Consortium – The District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the local school districts and the Educational Service Center in Shelby County.

The executive committee consists of one teacher representative from each of the school districts and the Educational Service Center, on superintendent elected by the superintendents, one principal elected by the principals, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. Financial information can be obtained from Ann Shuttleworth, who serves as Coordinator, at 129 East Court Street, Sidney, Ohio 45365.

19. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently. Each school district pays monthly premiums to the provider, Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the educational service center. The degree of control exercised by any participating school district is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, at 131 North Ludlow Street, Dayton, Ohio 45402.

20. GRANTS

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2002.

21. SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements and an equal amount for the purchase of textbooks and other instructional materials. 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 years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for capital improvements and textbooks/instructional materials. Disclosure of this information is required by State statute.

	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2001	($1,812,883)	$26,264
Current Fiscal Year Set-aside Requirement	143,458	143,458
Current Year Offsets	(1,115,448)	0
Qualifying Disbursements	(147,659)	(289,369)
Total	($2,932,532)	($119,647)
Set-aside Balance Carried Forward to Future Fiscal Years	($2,932,532)	($119,647)

The District had offsets and qualifying disbursements during the fiscal year that reduced the capital improvements and textbooks/instructional materials set-asides below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years.

22. STATE SCHOOL FUNDING DECISION

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

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

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	$1,578,117	$184,905	$916,563	$134,215
Cash and Cash Equivalents With Fiscal Agents		9,994	1,750	
Investments in Segregated Accounts				4,502
Receivables:				
Property Taxes	4,783,770		1,143,894	118,073
Income Taxes	181,647			
Accounts	17,715	3,337		
Intergovernmental		377		
Accrued Interest	1,591			
Interfund	79,554			
Inventory of Supplies and Materials				
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	72,798			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	6,715,192	198,613	2,062,207	256,790
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	56,648	7,866		1,092
Accrued Wages and Benefits Payable	551,345	10,296		
Intergovernmental Payable	116,816	1,328		
Interfund Payable		4,554		75,000
Due to Students				
Matured Interest Payable			1,750	
Deferred Revenue	4,724,857	377	1,115,052	118,073
Compensated Absences Payable	8,556			
General Obligation Bonds Payable				
Total Liabilities	5,458,222	24,421	1,116,802	194,165
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	177,435	4,135		24,001
Reserved for Property Taxes	105,671		28,842	
Reserved for Textbooks and Materials	26,264			
Reserved for School Bus Purchases	46,534			
Unreserved	901,066	170,057	916,563	38,624
Total Fund Equity and Other Credits	1,256,970	174,192	945,405	62,625
Total Liabilities, Fund Equity and Other Credits	$6,715,192	$198,613	$2,062,207	$256,790

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$129,870	$64,628			$3,008,298
				11,744
				4,502
				6,045,737
				181,647
				21,052
3,967				4,344
				1,591
				79,554
1,618				1,618
6,862				6,862
				72,798
34,584		$15,120,133		15,154,717
			$945,405	945,405
			8,301,169	8,301,169
176,901	64,628	15,120,133	9,246,574	33,841,038
727				66,333
20,095				581,736
14,632			41,841	174,617
				79,554
	64,628			64,628
				1,750
				5,958,359
14,251			404,733	427,540
			8,800,000	8,800,000
49,705	64,628		9,246,574	16,154,517
		15,120,133		15,120,133
127,196				127,196
				205,571
				134,513
				26,264
				46,534
				2,026,310
127,196		15,120,133		17,686,521
$176,901	$64,628	$15,120,133	$9,246,574	$33,841,038

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues:					
Property Taxes	$3,707,777		$1,077,012		$4,784,789
Income Taxes	454,181				454,181
Intergovernmental	1,601,701	$174,191	54,497	$41,883	1,872,272
Interest	279,086			87,680	366,766
Tuition and Fees	58,729				58,729
Rent	5,025				5,025
Extracurricular Activities	48,442	139,808		2,500	190,750
Gifts and Donations	15,763			1,432	17,195
Miscellaneous	43,419			59,520	102,939
Total Revenues	6,214,123	313,999	1,131,509	193,015	7,852,646
Expenditures:					
Current:					
Instruction:					
Regular	3,117,199	31,277		9,874	3,158,350
Special	313,381	99,434			412,815
Vocational	178,195				178,195
Adult/Continuing	8,278				8,278
Support Services:					
Pupils	332,994	22,885		9,000	364,879
Instructional Staff	239,796	20,007			259,803
Board of Education	55,878				55,878
Administration	632,596	882			633,478
Fiscal	238,612	250	19,900		258,762
Business	44,928				44,928
Operation and Maintenance of Plant	656,659				656,659
Pupil Transportation	450,818				450,818
Central	6,888				6,888
Operation of Non-Instructional Services	604	104			708
Extracurricular Activities	187,393	101,458			288,851
Capital Outlay	10,971			1,437,277	1,448,248
Intergovernmental		4,238			4,238
Debt Service:					
Principal Retirement			335,000		335,000
Interest and Fiscal Charges			461,303		461,303
Total Expenditures	6,475,190	280,535	816,203	1,456,151	9,028,079
Excess of Revenues Over (Under) Expenditures	(261,067)	33,464	315,306	(1,263,136)	(1,175,433)
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	310				310
Total Other Financing Sources (Uses)	310				310
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(260,757)	33,464	315,306	(1,263,136)	(1,175,123)
Fund Balances at Beginning of Year	1,517,727	140,728	630,099	1,325,761	3,614,315
Fund Balances at End of Year	$1,256,970	$174,192	$945,405	$62,625	$2,439,192

See Accompanying Notes to the General Purpose Financial Statements.

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ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL(NON-GAAP BUDGETARY BASIS) ALL GOVERNMENTAL FUND TYPES FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	$4,244,301	$3,660,635	($583,666)			
Income Taxes	432,096	452,912	20,816			
Intergovernmental	1,529,708	1,603,401	73,693	$124,669	$123,496	($1,173)
Interest	201,381	211,275	9,894			
Tuition and Fees	56,426	59,144	2,718			
Rent	4,794	5,025	231			
Extracurricular Activities	42,012	44,036	2,024	139,120	141,687	2,567
Gifts and Donations	15,039	15,763	724			
Miscellaneous	10,252	14,438	4,186			
Total Revenues	6,536,009	6,066,629	(469,380)	263,789	265,183	1,394
Expenditures:						
Current:						
Instruction:						
Regular	3,427,373	3,155,431	271,942	96,482	33,360	63,122
Special	332,465	272,174	60,291	60,582	57,572	3,010
Vocational	204,168	185,605	18,563			
Adult/Continuing	11,975	11,985	(10)			
Other	51,839	37,044	14,795			
Support Services:						
Pupils	373,284	344,726	28,558	39,498	18,641	20,857
Instructional Staff	270,207	239,679	30,528	10,697	6,215	4,482
Board of Education	63,866	55,878	7,988			
Administration	697,555	639,984	57,571		2,290	(2,290)
Fiscal	293,861	241,881	51,980	49,640	250	49,390
Business	54,445	45,703	8,742			
Operation and Maintenance of Plant	797,860	700,271	97,589			
Pupil Transportation	587,854	449,917	137,937			
Central	148,259	6,955	141,304			
Operation of Non-Instructional Services	829	604	225			
Extracurricular Activities	274,332	187,152	87,180	151,016	117,803	33,213
Capital Outlay	106,116	20,634	85,482			
Intergovernmental				5,387	4,238	1,149
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	7,696,288	6,595,623	1,100,665	413,302	240,369	172,933
Excess of Revenues Over (Under) Expenditures	(1,160,279)	(528,994)	631,285	(149,513)	24,814	174,327
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	296	310	14			
Refund of Prior Year Expenditures	29,777	31,211	1,434	98	100	2
Advances In	80,902	85,522	4,620	7,362	4,554	(2,808)
Advances Out	(83,494)	(79,554)	3,940		(12,904)	(12,904)
Total Other Financing Sources (Uses)	27,481	37,489	10,008	7,460	(8,250)	(15,710)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,132,798)	(491,505)	641,293	(142,053)	16,564	158,617
Fund Balances at Beginning of Year	1,795,075	1,795,075		147,744	147,744	
Prior Year Encumbrances Appropriated	122,354	122,354		13,332	13,332	
Fund Balances (Deficit) at End of Year	$784,631	$1,425,924	$641,293	$19,023	$177,640	$158,617

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
$403,590	$1,067,773	$664,183			
20,598	54,497	33,899	$69,084	$44,883	($24,201)
			21,784	21,702	(82)
				2,500	2,500
			44,318	28,370	(15,948)
			13,508	59,520	46,012
424,188	1,122,270	698,082	148,694	156,975	8,281
			48,169	9,968	38,201
				9,000	(9,000)
1,000,000	19,900	980,100			
			2,117,635	1,986,403	131,232
	335,000	(335,000)			
	461,303	(461,303)			
1,000,000	816,203	183,797	2,165,804	2,005,371	160,433
(575,812)	306,067	881,879	(2,017,110)	(1,848,396)	168,714
			117,160	75,000	(42,160)
				(72,618)	(72,618)
			117,160	2,382	(114,778)
(575,812)	306,067	881,879	(1,899,950)	(1,846,014)	53,936
610,496	610,496		73,311	73,311	
			1,881,819	1,881,819	
$34,684	$916,563	$881,879	$55,180	$109,116	$53,936

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

Operating Revenues:	
Sales	$335,666
Total Operating Revenues	335,666
Operating Expenses:	
Salaries	108,847
Fringe Benefits	62,482
Purchased Services	1,393
Supplies and Materials	346
Cost of Sales	190,839
Depreciation	12,309
Total Operating Expenses	376,216
Operating Loss	(40,550)
Non-Operating Revenues:	
Interest	2,466
Federal Donated Commodities	21,978
Federal and State Subsidies	38,715
Total Non-Operating Revenues	63,159
Net Income	22,609
Retained Earnings at Beginning of Year	104,587
Retained Earnings at End of Year	$127,196

See Accompanying Notes to the General Purpose Financial Statements.

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Enterprise		
	Revised Budget	**Actual**	**Variance Favorable (Unfavorable)**
Revenues:			
Sales	$329,259	$335,666	$6,407
Other Revenue			
Interest	2,368	2,466	98
Federal and State Subsidies	33,373	34,748	1,375
Total Revenues	365,000	372,880	7,880
Expenses:			
Salaries	346,787	113,120	233,667
Fringe Benefits		56,019	(56,019)
Purchased Services	40	2,357	(2,317)
Supplies and Materials	122,664	198,506	(75,842)
Capital Outlay	500	1,456	(956)
Total Expenses	469,991	371,458	98,533
Excess of Revenues Over (Under) Expenses	(104,991)	1,422	106,413
Fund Equity at Beginning of Year	88,142	88,142	
Prior Year Encumbrances Appropriated	16,849	16,849	
Fund Equity at End of Year	$0	$106,413	$106,413

See Accompanying Notes to the General Purpose Financial Statements.

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$335,666
Cash Payments for Employee Services and Benefits	(169,139)
Cash Payments to Suppliers for Goods and Services	(178,222)
Net Cash Provided By Operating Activities	(11,695)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	34,748
Net Cash Provided By Noncapital Financing Activities	34,748
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(640)
Net Cash Used For Capital and Related Financing Activities	(640)
Cash Flows from Investing Activities:	
Interest	2,466
Net Cash Provided By Investing Activities	2,466
Net Increase in Cash and Cash Equivalents	24,879
Cash and Cash Equivalents Beginning of Year	104,991
Cash and Cash Equivalents End of Year	129,870
Reconcilation of Operating Loss to Net Cash Provided By Operating Activities:	
Operating Loss	(40,550)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities:	
Depreciation	12,309
Donated Commodities Used	21,978
Changes in Assets and Liabilities:	
Increase in Inventory of Supplies and Materials	(585)
Decrease in Inventory Held for Resale	1,366
Decrease in Accounts Payable	(8,403)
Increase in Accrued Wages and Benefits Payable	976
Increase in Intergovernmental Payable	774
Increase in Compensated Absences Payable	440
Net Cash Provided By Operating Activities	($11,695)

See Accompanying Notes to the General Purpose Financial Statements.

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Anna Local School District (the "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 District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The District serves an area of approximately 70 square miles. It is located in Shelby County, and includes all of the Villages of Anna and Kettlersville and all or part of Van Buren, Dinsmore, Franklin, Turtle Creek, Salem and McLean Townships. It is staffed by 53 non-certificated employees, 64 certificated full-time teaching personnel, and four administrative employees who provide services to 1,216 students and other community members. The District currently operates two instructional buildings and one vocational agriculture building.

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

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

The District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Notes 18 and 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:
- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Anna Education Foundation
- Southwestern Ohio Instructional Technology Association
- Shelby County Local Professional Development Consortium

Insurance Purchasing Pools:
- Ohio School Boards Association Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

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

Capital Projects Funds

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

2. Proprietary Fund Type

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

Enterprise Funds

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

3. Fiduciary Fund Type

The fiduciary fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District’s fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

4. Account Groups

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The District does not have any contributed capital. The proprietary fund type's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and 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 fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. 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, income taxes, interest, interfund, grants, and student fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

C. Budgetary Data

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

All funds, other than the agency fund, are required to be budgeted and appropriated. The Eisenhower, Title III, Title VI-B and Preschool Special Revenue Funds activity that is administered by a fiscal agent is not budgeted by the District. The legal level of budgetary control is at the fund, function, object level for the general fund and at the fund level for all other funds appropriated.

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

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during 2001.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund, function, object level of expenditures for the General fund and at the fund level for all other funds appropriated. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was enacted, and it was significant. Total appropriations increased by $1,538,762, from $9,568,566 to $11,107,328.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including the supplemental appropriation. The financial statements, for funds other than the general fund, are presented at more detail than the legal level of control. The Treasurer has been given the authority to allocate the Board's appropriations to the function/object level. Formal budgetary integration is employed as a management control device during the year for all funds other than the Eisenhower, Title III, Title VI-B and Preschool Special Revenue Funds and the agency fund, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, except the Athletic Complex Capital Projects Fund, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

The balance of various grants administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits of the Shelby County Educational Service Center.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented as "cash and cash equivalents with fiscal agents."

Investments that are held separately by the Athletic Complex Capital Projects Fund are recorded on the balance sheet as "investments in segregated accounts."

During fiscal year 2001, investments consisted of a U.S. Treasury Bond, a Federal Home Loan Mortgage Corporation Note, Komag, Incorporated stock and STAR Ohio. Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to $279,086 which includes $144,930 assigned from other District funds. The Capital Projects and Enterprise funds also received interest in the amounts of $87,680 and $2,466, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, non-food supplies, and purchased food and are expensed when used.

F. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for the purchase of textbook materials and supplies and school buses. See Note 22 for additional information regarding set-asides.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund.

All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one hundred fifty dollars. The District does not have 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. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables” and “interfund payables.”

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 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 District's termination policy. The District records a liability for accumulated unused sick leave for all employees after eight years of current service with the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources.

Payments made more than sixty days after year-end are considered not to have been paid with current available financial resources. General obligation bonds are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Interfund Transactions

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

Fund equity reserves have been established for encumbrances, property taxes, textbook materials and supplies, and school bus purchases. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Total Columns on General Purpose Financial Statements

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

3. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented GASB Statement No. 33, *“Accounting and Financial Reporting for Nonexchange Transactions*” and GASB Statement No. 36, “*Recipient Reporting for Certain Shared Nonexchange Revenues”.* These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources.

The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The implementation of these statements had no effect on fund balance/retained earnings as was previously reported at June 30, 2000.

4. COMPLIANCE AND ACCOUNTABILITY

The Title I, Special Revenue Fund and the Athletic Complex, Capital Projects Fund had deficit fund balances at June 30, 2001, of $11,563 and $63,568, respectively, due to the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

4. The District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes (GAAP basis).

5. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	($260,757)	$33,464	$315,306	($1,263,136)
Revenue Accruals	(116,286)	4,989	(9,239)	(36,040)
Expenditure Accruals	104,564	(6,137)	0	(524,127)
Excess of Revenues Over Expenditures/Nonbudgeted Funds	0	(137)	0	0
Advances (Net)	5,968	(8,350)	0	2,382
Outstanding Encumbrances	(224,994)	(7,265)	0	(25,093)
Budget Basis	($491,505)	$16,564	$306,067	($1,846,014)

Net Income/Excess of Revenues Over Expenses
All Enterprise Funds

	Enterprise
GAAP Basis	$ 22,609
Revenue Accruals	(3,967)
Expense Accruals	(4,651)
Change in Inventory of Supplies and Materials	585
Change in Inventory Held for Resale	(1,366)
Acquisition of Capital Assets	(640)
Depreciation Expense	12,309
Outstanding Encumbrances	(23,457)
Budget Basis	$ 1,422

6. DEPOSITS AND INVESTMENTS

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

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

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

Interim 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 accounts, including passbook accounts.

Interim monies are permitted 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 any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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.

6. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee 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*."

At June 30, 2001, the District had "cash and cash equivalents with fiscal agent" in the special revenue funds of $9,994. The money is held by the Shelby County Educational Service Center, which is the fiscal agent of several other Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The classification for the Shelby County Educational Service Center as a whole can be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

Deposits*:* At fiscal year end, the carrying amount of the District's deposits was $354,215 and the bank balance was $439,123. Of the bank balance, $154,235 was covered by federal depository insurance; and $284,888 was uninsured and uncollateralized.

Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

6. DEPOSITS AND INVESTMENTS (Continued)

	Category 1	Category 2	Fair Value
Federal Home Loan Mortgage Corporation Note	$ 0	$400,200	$400,200
General Government Securities	0	20,000	20,000
Stock	4,502	0	4,502
	$4,502	$420,200	424,702
STAR Ohio			2,308,431
Totals			$2,733,133

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "*Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.*"

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	$ 3,092,840	$ 4,502
Cash and Cash Equivalents With Fiscal Agents	(9,994)	0
Investments:		
Federal Home Loan Mortgage Corporation	(400,200)	400,200
General Government Securities	(20,000)	20,000
STAR Ohio	(2,308,431)	2,308,431
GASB Statement 3	$ 354,215	$ 2,733,133

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

7. PROPERTY TAXES (Continued)

Public utility real and tangible personal property taxes for calendar year 2001 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2001, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is de April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	**Percent**	**Amount**	**Percent**
Agricultural/Residential and Other Real Estate	$54,535,880	34.38%	$63,913,190	39.22%
Public Utility - Real	5,681,160	3.58	5,468,450	3.36
Tangible Personal Property	98,400,360	62.04	93,581,244	57.42
Total Assessed Value	$158,617,400	100.00%	$162,962,884	100.00%
Tax rate per $1,000 of assessed valuation	$30.90		$36.40	

The increase in the tax rate was for a 4.0 mill operating levy and 1.5 mill permanent improvement levy. The District receives property taxes from Shelby County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 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. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was $105,671 in the General Fund and $28,842 in the Bond Retirement Debt Service Fund.

8. INCOME TAX

The District levied a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1983, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue of $454,181 was credited to the General Fund during fiscal year 2001.

9. RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (student fees), intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Special Revenue Fund	**Amounts**
Title III	$377
Enterprise Fund	
Food Service	3,967
Total Intergovernmental Receivables	$4,344

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	$163,787
Less: Accumulated Depreciation	(129,203)
Net Fixed Assets	$ 34,584

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	$ 801,578	$ 0	$ 0	$ 801,578
Buildings and Improvements	5,173,102	6,634,013	0	11,807,115
Other Improvements	157,605	27,953	0	185,558
Furniture, Fixtures and Equipment	1,472,531	144,507	18,691	1,598,347
Vehicles	630,831	58,641	0	689,472
Construction in Progress	5,374,065	0	5,336,002	38,063
Total General Fixed Assets	$13,609,712	$6,865,114	$5,354,693	$15,120,133

11. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted with Nationwide Insurance for property insurance, with Great American Insurance for general liability and with Auto Owners Insurance for automobile insurance.

6. RISK MANAGEMENT (Continued)

Coverage provided by Nationwide Insurance is as follows:

	Building	Contents
Middle High School	$13,000,000	$1,005,000
Agriculture Building	321,000	75,000
Grange	65,000	25,000
Greenhouse	30,000	1,000
Elementary	6,500,000	650,000
Storage Barn	11,500	1,000
Concession	65,000	20,000
Antenna	3,000	0
Shelter House	7,000	0
Track	120,000	0
Bleachers	11,000	0
Basketball Court lights, polls, fence	31,000	0
Storage - 304 E North	46,500	2,000
Storage - 200 Walnut	11,500	5,100

Builders Risk Under Construction coverage is $6,400,000. General liability coverage is $2,000,000 per occurrence and $5,000,000 in aggregate. Automobile liability coverage is $2,000,000 and carries a $250 collision deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control and actuarial services to the GRP.

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

12. DEFINED BENEFIT PENSION PLANS

SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 2000, 5.5 percent was 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were $30,830, $37,079, and $61,275, respectively; 41 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. $18,295 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments and death and survivor benefits and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were $328,330, $191,669, and $160,999, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. $53,816 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

13. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired 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 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.

13. POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $155,525 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, the balance in the Fund was $3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were $300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for 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, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at $12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled $81,483.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001, were $161,439,934 and the target level was $242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of $315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, board policy 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 up to 50 days is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, with five years of service or upon separation with twenty years, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for all employees. Upon retirement, payment to the Treasurer and Superintendent is made for 35 percent of accrued, but unused sick leave credit to a maximum of 70 days.

14. OTHER EMPLOYEE BENEFITS (Continued)

B. Deferred Compensation Plan

The Treasurer participates in the Anna Local School District Deferred Compensation Plan Which has been created in accordance with Internal Revenue Code Section 457. The Board contributes $5,000 each year for each participant. Employer contributions are vested at 50 percent after five-years of service and at 100 percent after ten years. All earnings are immediately vested to the participants. Additional voluntary payroll deduction contributions are permitted and are immediately vested. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

C. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance through Medical Life to all employees. Medical/surgical and dental benefits are provided by Anthem. Coverage for vision benefits is provided by Vision Service Plan.

15. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2001 were as follows:

	Outstanding 6/30/00	Additions	Deduction	Outstanding 6/30/01
1998 School Building Construction and Improvement Bonds - 3.65%-5.1%	$9,135,000	$ -	$335,000	$8,800,000
Intergovernmental Payable	59,957	41,841	59,957	41,841
Compensated Absences Payable	403,130	1,603	-	404,733
Special Termination Benefit Payable	15,000	-	15,000	-
Total General Long-Term Obligations	$9,613,087	$43,444	$409,957	$9,246,574

In fiscal year 1998, the District defeased general obligation bonds by placing enough money in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2001, the principal outstanding was $1,829,315.

School Building Construction and Improvement and Refunding General Obligation Bonds - On March 1, 1998, the District issued bonds in the amount of $9,740,000. The bonds were issued for the purpose of the defeasance of a 1992 School Improvement outstanding bond issue and for the purpose of reconstructing, renovating and expanding the high school building. The bonds were issued for a twenty-five year period with final maturity during fiscal year 2023. The bonds will be paid from the Bond Retirement Debt Service Fund.

Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The District's overall legal debt margin was $6,812,065 with an unvoted debt margin of $162,963 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

15. LONG-TERM OBLIGATIONS (Continued)

Fiscal year Ending June 30,	Principal	Interest	Total
2002	$350,000	$447,770	$797,770
2003	420,000	432,160	852,160
2004	460,000	414,005	874,005
2005	500,000	386,585	886,585
2006	535,000	349,450	884,450
2007-2011	1,355,000	1,500,054	2,855,054
2012-2016	1,765,000	1,101,256	2,866,256
2017-2021	2,310,000	587,040	2,897,040
2022-2023	1,105,000	56,993	1,161,993
Total	$8,800,000	$5,275,313	$14,075,313

16. INTERFUND ACTIVITY

Interfund balances at June 30, 2001, consist of the following individual fund receivables and payables:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	$79,554	$
Special Revenue Fund		
Title VI		4,554
Capital Project Fund		
Athletic Complex		75,000
Total All Funds	$79,554	$79,554

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	$288,605	$47,061	$335,666
Depreciation Expense	12,309	0	12,309
Operating Income (Loss)	(75,217)	34,667	(40,550)
Federal Donated Commodities	21,978	0	21,978
Federal and State Subsidies	38,715	0	38,715
Net Income	(12,058)	34,667	22,609
Fixed Asset Additions	640	0	640
Net Working Capital	(1,852)	108,715	106,863
Total Assets	67,574	109,327	176,901
Compensated Absences Payable	14,251	0	14,251
Total Equity	18,481	108,715	127,196
Encumbrances Outstanding at June 30, 2001	540	22,917	23,457

18. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization - The District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The District paid WOCO $20,708 for services provided during the year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. The District paid SOEPC $1,554 for services provided during the year. Information can be obtained from Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Anna Education Foundation - The Anna Education Foundation is a non-profit corporation whose purpose is to provide financial assistance for enhanced educational and/or career opportunities to residents, employees, and current and former students of the District. The board is made up of nine members, one of which is appointed by the School Board. The remaining eight members are elected to serve on the Board of Trustees from the community. Seven of the nine trustees must be residents of the District. No financial contributions occurred with this entity during fiscal year 2001. Information on this organization may be obtained from David Richard, who serves as Treasurer, at Post Office Box 475, Anna, Ohio 45302.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except those from the educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

18. JOINTLY GOVERNED ORGANIZATIONS

All members are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets are distributed to the federal government, or to a state or local government, for a public purpose. During fiscal year 2001, the District paid $1,685 to SOITA from the General Fund. Information can be obtained from Steve Strouse, who serves as Director, at 105 East Sixth Street, Franklin, Ohio 45005.

Shelby County Local Professional Development Consortium – The District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the local school districts and the Educational Service Center in Shelby County. The executive committee consists of one teacher representative from each of the school districts and the Educational Service Center, on superintendent elected by the superintendents, one principal elected by the principals, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. Financial information can be obtained from Ann Shuttleworth, who serves as coordinator, at 129 East Court Street, Sidney, Ohio 45365.

19. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently. Each school district pays monthly premiums to the provider, Anthem Blue Cross/Blue Shield and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the educational service center. The degree of control exercised by any participating school district is limited to its representation on the committee. No financial contributions occurred with this entity during fiscal year 2001. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, at 131 North Ludlow Street, Dayton, Ohio 45402.

20. GRANTS

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2001.

21. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2001, the District had contractual purchase commitments as follows:

Company	Project	Contract Amount	Amount Expended	Balance At 6/30/01
Perry Corporation	High School Copier	$ 20,000	$	$ 20,000
Perry Corporation	Elementary School Copier	10,975		10,975
Regal Plumbing	Plumbing for Renovations	952,517	943,025	9,492
Regal Plumbing	Install 5-ton Package	10,645		10,645
Greve Drywall	Installing Drywall	8,120		8,120
Total Commitments		$1,002,257	$943,025	$ 59,232

22. SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The following cash basis information describes the change in the year-end set aside amounts for textbooks/instructional materials, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks/ Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2000	$1,014	($898,239)	$44,841
Current Year Set-aside Requirement	153,129	153,129	0
Reduction in Requirement Based on Revised Legislation	0	0	(15,097)
Transferred to Reserve for School Bus Purchases	0	0	(29,744)
Current Year Offsets	0	(1,067,773)	0
Qualifying Disbursements	(127,879)	(42,027)	0
Total	$26,264	($1,854,910)	$0
Set-aside Balance Carried Forward to Future Fiscal Years	$26,264	($1,812,883)	$0

The District had offsets and qualifying disbursements during the fiscal year that reduced the textbooks/instructional materials and capital acquisition set-asides below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years.

23. STATE SCHOOL FUNDING DECISION

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

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

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

Anna Local School District
Shelby County
One McRill Way
Anna, Ohio 45302

To the Members of the Board of Education:

We have audited the financial statements of the Anna Local School District (the District), Shelby County, as of and for the years ended June 30, 2002 and June 30, 2001, and have issued our report thereon dated January 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompany schedule of findings as items 2002-10375-001 and 2002-10375-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely effect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-10375-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Internal Control Over Financial Reporting
(Continued)

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 10, 2003.

This report is intended for the information and use of the management and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 10, 2003

SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

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

FINDING NUMBER 2002-10375-001

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows all local governments to request amended certificates of estimated resources and allows school districts, municipalities, and counties to request amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Estimated receipts for the year 2001, were not posted to the system until year end, and were not posted at all for the fiscal year 2002. The lack of estimated receipts posted to the system makes it difficult to compare actual to estimated revenues throughout the year, in order to determine if an amended certificate would have been necessary, during either fiscal year. However, the Official Certificate of Estimated Resources was amended once, in late June, for each fiscal year.

Administration should develop and implement procedures for monitoring budget vs. actual revenue figures. This could be performed by posting the budgeted revenue amounts, approved by the County Budget Commission on the Official Certificate of Estimated Resources, to the accounting system and review the monthly Revenue Account Summary (REVSUM) reports generated to evaluate whether collections are in line with anticipated revenues and to determine if amendments are necessary. Management should review the requirements which are provided by statute, and refer to the *Ohio Compliance Supplement*.

FINDING NUMBER 2002-10375-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing authority shall make and contract or give any order involving the expenditure of money unless there is attached thereto, a certificate of the fiscal officer that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

An exception to this requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time the certification is being completed, sufficient funds were available or were in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant ("then and now"). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than $1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Test results revealed that 13 percent of expenditures in 2002 and 47 percent in 2001, lacked evidence of the fiscal officer's certification. In addition, there was limited evidence of subsequent certification as permitted by the "then and now" exception. Additionally, purchase orders were not used for these transactions and consequently encumbrances were not recorded until payment of the obligation.

FINDING NUMBER 2002-10375-002
(Continued)

This practice restricts the treasurer’s ability to properly certify obligations as required, as the accounting/budgetary system does not provide accurate information regarding unencumbered (available) appropriations. In addition, the lack of proper certification could result in the District obligating funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods and services to prevent possible overspending of resources and/or obligation of amounts in excess of specific line item appropriations.

Prior certification should be obtained and evidenced for all expenditures. Purchase orders should be used as a certification vehicle, source of encumbrance postings, and in evidence for all expenditures. This would provide for a reliable system of encumbering and allow the treasurer to track the amount of outstanding encumbrances and available unencumbered balance, thus allowing for accurate certifications. Management should review the requirements and exceptions (i.e. Then and Now Certificate, etc), which are provided by statute and refer to the *Ohio Compliance Supplement*.

The Treasurer should review and initial the purchase orders when they are prepared to verify that certification of the availability of funds are being made before the obligation is incurred. The District should establish procedures for obtaining certification prior to incurring an obligation, or for subsequent certification and approval as provided by the exception noted above.

FINDING NUMBER 2002-10375-003

Material Weakness

Food Service Documentation and Reconciliations

Management has installed a debit card system which allows students to deposit money which is debited to the card for the purchase of lunches. However, for the audit period, the system had not been reconciled to the amounts remaining on the debit cards. In addition, review of the daily cafeteria reports used to prepare the School Lunch and Milk Program Daily Worksheet (CN7) lacked accompanying reconciliations of ala carte beginning inventory plus purchases to sales and ending inventory to provide evidence that ala carte sales revenue was recorded in its entirety.

The failure to reconcile the debit card balances to the remaining financial record balance could result in errors or irregularities going undetected. Also, the lack of sufficient records and documents (evidential matter), to support the ala carte revenues, could result in the manipulation of collections, or inventory, with the inability of school personnel to detect discrepancies or errors during the normal course of operation.

The debit card balances should be reconciled on a monthly basis to support that all deposits are accounted for and that the revenue from usage has been properly allocated to the revenue accounts. In addition, documentation should be maintained, and reconciliations performed to support the accuracy of ala carte collections. Inventory used and remaining should be verified, and the amount sold should be reconciled with the respective receipts collected by the high school cafeteria. Management could also implement a system whereby on a periodic basis the inventory usage could be multiplied by an average mark-up to determine if collections were reasonable in comparison to the amount of ala carte items used and/or sold. Purchases and remaining inventory should also be reconciled to determine the accuracy of usage.

ANNA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR FISCAL YEARS ENDED JUNE 30, 2002 AND JUNE 30, 2001

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-10375-001	Ohio Rev. Code Section 5705.41(D)	No	Partially corrected through the use of Then and Now certifications.
2000-10375-002	Ohio Rev. Code Section 5705.36	No	Repeated as finding 2002-10375-001.
2000-10375-003	Documentation of Ala Carte Revenues	No	Partially corrected in that the District is now taking inventory of the ala carte items.

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ANNA LOCAL SCHOOL DISTRICT

SHELBY 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
FEBRUARY 11, 2003