

**Carrollton Exempted Village
School District**

Audited Financial Statements

June 30, 2003



**Auditor of State
Betty Montgomery**

Board of Education
Carrollton Exempted Village School District
207 Scio Road
Carrollton, Ohio 44615

We have reviewed the Independent Auditor's Report of the Carrollton Exempted Village School District, Carroll County, prepared by Rea & Associates, Inc., for the audit period July 1, 2002 to June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Carrollton Exempted Village School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 7, 2004

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**CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT
CARROLL COUNTY**

JUNE 30, 2003

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**CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT
CARROLL COUNTY**

JUNE 30, 2003

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 12, 2004

To the Board of Education
Carrollton Exempted Village School District
Carrollton, OH 44615

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Carrollton Exempted Village School District (the "School District"), Carroll County, Ohio as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Carrollton Exempted Village School District, Carroll County, Ohio as of June 30, 2003, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As stated in Note 4, the School District adopted Governmental Accounting Standards Board (GASB) Statements No. 34, "Basic Financial Statements and Management's Discussion and Analysis, No. 37, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus, and No. 38, Certain Financial Statement Note Disclosures, and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials."

In accordance with *Government Auditing Standards*, we also have issued our report dated March 12, 2004 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 the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Rea & Associates, Inc.

Carrollton Exempted Village School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2003 Unaudited

The discussion and analysis of the Carrollton Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- ❑ General Revenues accounted for \$17 million in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2.3 million or 12% of total revenues of \$19.4 million.
- ❑ Total program expenses were \$20.8 million, \$19.8 million in governmental activities and \$1 million in business-type activities.
- ❑ In total, net assets decreased \$1,354,786. Net assets of governmental activities decreased \$1,281,088, which represents a 17% decrease from 2002. Net assets of business-type activities decreased \$73,698 or 59% from 2002.

Using this Annual Report

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

A question typically asked about the District's finances "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Carrollton Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

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

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- ❑ **Governmental Activities** - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- ❑ **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service is reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities (food service); therefore, these statements will essentially match.

Fiduciary Funds – The School District's only fiduciary fund is for Student Managed Activities. The School District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude those activities from the School District's other financial statements because the assets can't be used by the District to finance operations.

Carrollton Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$ 9,567,138	\$ 10,230,676	\$ 5,331	\$ 66,568	\$ 9,572,469	\$ 10,297,244
Capital Assets	6,464,363	6,064,829	27,538	16,457	6,491,901	6,081,286
Total Assets	16,031,501	16,295,505	32,869	83,025	16,064,370	16,378,530
Liabilities						
Long-Term Liabilities	1,779,134	1,576,000	37,222	34,362	1,816,356	1,610,362
Other Liabilities	8,147,353	7,237,238	119,606	98,924	8,266,959	7,336,162
Total Liabilities	9,926,487	8,813,238	156,828	133,286	10,083,315	8,946,524
Net Assets						
Invested in Capital Assets Net of Debt	6,333,682	6,064,829	27,538	16,457	6,361,220	6,081,286
Restricted	128,199	241,175	0	0	128,199	241,175
Unrestricted (Deficit)	(356,867)	1,176,263	(151,497)	(66,718)	(508,364)	1,109,545
Total Net Assets	\$ 6,105,014	\$ 7,482,267	\$ (123,959)	\$ (50,261)	\$ 5,981,055	\$ 7,432,006

Total assets decreased by approximately \$314,000 with governmental assets decreasing \$264,004 and business-type assets decreasing \$50,156. An increase of approximately \$411,000 in total capital assets reflects additional purchases exceeding depreciation. The majority of the decrease in other governmental assets is due to a decrease in cash of approximately \$100,000 and a decrease in taxes receivable of approximately \$200,000. Total liabilities increased by \$1.1 million with governmental liabilities comprising almost the entire amount. This increase was primarily the result of increased accrued wages payable of approximately \$600,000 and an increase in intergovernmental payable of approximately \$100,000.

Carrollton Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

(Table 2)
Governmental and Business-Type Activities
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Revenues			
<i>Program Revenues:</i>			
Charges for Services	\$ 230,085	\$ 375,991	\$ 606,076
Operating Grants	1,270,984	448,432	1,719,416
<i>General Revenue:</i>			
Property Taxes	4,892,327	0	4,892,327
Grants and Entitlements	11,934,883	0	11,934,883
Other	155,409	94,700	250,109
<i>Total Revenues</i>	18,483,688	919,123	19,402,811
Program Expenses			
Instruction	11,415,986	0	11,415,986
Support Services	7,884,056	0	7,884,056
Operation of Non-Instructional	45,001	0	45,001
Extracurricular Activities	405,823	0	405,823
Intergovernmental	8,158	0	8,158
Interest and Fiscal Charges	5,752	0	5,752
Food Service	0	992,821	992,821
<i>Total Expenses</i>	19,764,776	992,821	20,757,597
Increase (Decrease) in Net Assets	\$ (1,281,088)	\$ (73,698)	\$ (1,354,786)

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$18.5 million and expenditures of \$19.8 million. Comparisons to 2002 have not been made since they are not available.

Carrollton Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

(Table 3)
Governmental Activities
Total Cost & Net Cost

	2003	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 11,415,986	\$ 10,505,517
Support Services:		
Pupil and Instructional Staff	2,007,602	1,624,505
Board of Education, Administration, Fiscal and Business	2,381,820	2,352,027
Operation and Maintenance of Plant	1,869,883	1,820,905
Pupil Transportation	1,496,089	1,473,746
Central	128,662	127,583
Operation of Non-Instructional	45,001	22,264
Extracurricular Activities	405,823	323,293
Intergovernmental	8,158	8,158
Interest and Fiscal Charges	5,752	5,709
Total Expenses	\$ 19,764,776	\$ 18,263,707

Instruction and student support services comprise 98% of governmental program expenses.

The dependence upon tax revenues (26%) and general revenue entitlements from the state (65%) for governmental activities is apparent.

Business-Type Activities

Business-type activities include the food service operation. These programs had revenues of approximately \$824,000, transfers in from other funds of \$95,500, and expenses of \$993,000 for fiscal year 2003. The food service program receives no support from tax revenues.

Carrollton Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2003, the School District did modify its general fund budget twice. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, budget basis revenue was \$17.4 million, under the original budget estimates of \$17.8 million. Of this \$400,000 shortfall, most was attributable to decreased intergovernmental revenue and decreased property tax collections. Both of these reasons can be attributed to a weakened economy.

Final appropriations of \$18.9 million did not vary in total to the original budget.

Capital Assets

At the end of fiscal year 2003, the School District had \$6,491,900 invested in land, buildings, equipment, and vehicles. A total of \$6,464,363 of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2003 balances compared with 2002.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 101,246	\$ 101,246	\$ 0	\$ 0	\$ 101,246	\$ 101,246
Land Improvements	322,649	232,630	0	0	322,649	232,630
Buildings and Building Improvements	3,650,187	3,720,262	0	0	3,650,187	3,720,262
Improvements Other Than Buildings	129,729	83,989	0	0	129,729	83,989
Furniture and Equipment	122,774	97,525	19,678	8,018	142,452	105,543
Machinery and Equipment	820,215	584,939	7,860	8,439	828,075	593,378
Vehicles	1,317,562	1,244,238	0	0	1,317,562	1,244,238
Totals	\$ 6,464,362	\$ 6,064,829	\$ 27,538	\$ 16,457	\$ 6,491,900	\$ 6,081,286

The \$411,000 increase in capital assets was attributable to additional purchases exceeding depreciation expense.

Carrollton Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited*

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2003, this amounted to \$357,038 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks.

Current Issues

The Carrollton Exempted Village School District does not receive strong support from the residents of the School District in the form of local tax issues. The last operating levy passed by the residents of the School District was in November 1976. Numerous bond issues and one permanent improvement levy in recent years all were voted down by approximately 60%.

The School District currently has an effective total local tax millage of 20 mills, which is the lowest allowed by law. Under current state budget legislation for school funding, the school district is expected to receive \$1,000,000 in charge-off supplement from the state in fiscal year 2004. This supplement is intended to counteract the affect of current funding legislation that assumes each district brings in 23 mills of local taxation. This funding piece would require the School District to surpass the \$1,000,000 mark on an operating levy before the School District would see an increase in total revenue. This is due to the fact that as the School District brings the money in locally, the state will reduce the supplement amount.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. With these challenges along with the state funding challenges, planning for meeting growing costs has become a concern. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for the School District's students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Carrollton Exempted Village School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. Another School District concern will be the State Legislative approval of the biennial budget, effective July 1, 2003. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Carrollton Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Roxanne Mazur, Treasurer of Carrollton Exempted Village School District, 252 Third St. NE, Carrollton, Ohio 44615 or car_roxanne@omeresanet.net.

Carrollton Exempted Village School District

Statement of Net Assets

June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,355,658	\$ 1,242	\$ 3,356,900
Equity in Pooled Cash and Cash Equivalents - Restricted	121,798	0	121,798
Cash and Cash Equivalents:			
With Fiscal Agents	697,420	0	697,420
Inventory Held for Resale	0	4,089	4,089
Materials and Supplies Inventory	122,725	0	122,725
Accounts Receivable	6,860	0	6,860
Intergovernmental Receivable	23,111	0	23,111
Prepaid Items	27,480	0	27,480
Taxes Receivable	5,212,086	0	5,212,086
Non-Depreciable Capital Assets	101,246	0	101,246
Depreciable Capital Assets (Net)	6,363,117	27,538	6,390,655
<i>Total Assets</i>	<u>16,031,501</u>	<u>32,869</u>	<u>16,064,370</u>
Liabilities			
Accounts Payable	102,216	0	102,216
Accrued Wages and Benefits	2,171,511	85,427	2,256,938
Intergovernmental Payable	526,493	34,179	560,672
Deferred Revenue	4,844,000	0	4,844,000
Claims Payable	503,133	0	503,133
Long-Term Liabilities:			
Due Within One Year	182,619	0	182,619
Due in More Than One Year	1,596,515	37,222	1,633,737
<i>Total Liabilities</i>	<u>9,926,487</u>	<u>156,828</u>	<u>10,083,315</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	6,333,682	27,538	6,361,220
Restricted for Capital Outlay	6,865	0	6,865
Restricted for Other Purposes	121,334	0	121,334
Unrestricted	(356,867)	(151,497)	(508,364)
<i>Total Net Assets</i>	<u>\$ 6,105,014</u>	<u>\$ (123,959)</u>	<u>\$ 5,981,055</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

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Carrollton Exempted Village School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Instruction:			
Regular	\$ 9,037,828	\$ 68,873	\$ 302,455
Special	2,070,319	15,778	508,629
Vocational	256,257	1,954	0
Adult/Continuing	14,518	109	12,388
Other	37,064	283	0
Support Services:			
Pupils	1,109,572	8,455	42,892
Instructional Staff	898,030	6,844	324,906
Board of Education	21,939	168	0
Administration	1,585,606	12,084	11,259
Fiscal	547,785	4,174	0
Business	226,490	1,726	382
Operation and Maintenance of Plant	1,869,883	14,249	34,729
Pupil Transportation	1,496,089	11,402	10,941
Central	128,662	1,079	0
Operation of Non-Instructional Services	43,783	334	22,403
Operation of Non-Instructional Services:			
Community Services	895	0	0
Other	323	0	0
Extracurricular Activities	405,823	82,530	0
Intergovernmental	8,158	0	0
Interest and Fiscal Charges	5,752	43	0
<i>Total Governmental Activities</i>	<u>19,764,776</u>	<u>230,085</u>	<u>1,270,984</u>
Business-Type Activities:			
Food Service	992,821	375,991	448,432
<i>Total Business-Type Activities</i>	<u>992,821</u>	<u>375,991</u>	<u>448,432</u>
<i>Totals</i>	<u>\$ 20,757,597</u>	<u>\$ 606,076</u>	<u>\$ 1,719,416</u>

General Revenues:

Property Taxes Levied For:
General Purposes

Grants and Entitlements not Restricted to Specific Programs
Gifts and Donations
Investment Earnings
Proceeds from Sale of Fixed Assets
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated

Net Assets End of Year

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

Net(Expense)Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (8,666,500)	\$ 0	\$ (8,666,500)
(1,545,912)	0	(1,545,912)
(254,303)	0	(254,303)
(2,021)	0	(2,021)
(36,781)	0	(36,781)
(1,058,225)	0	(1,058,225)
(566,280)	0	(566,280)
(21,771)	0	(21,771)
(1,562,263)	0	(1,562,263)
(543,611)	0	(543,611)
(224,382)	0	(224,382)
(1,820,905)	0	(1,820,905)
(1,473,746)	0	(1,473,746)
(127,583)	0	(127,583)
(21,046)	0	(21,046)
(895)	0	(895)
(323)	0	(323)
(323,293)	0	(323,293)
(8,158)	0	(8,158)
(5,709)	0	(5,709)
<u>(18,263,707)</u>	<u>0</u>	<u>(18,263,707)</u>
<u>0</u>	<u>(168,398)</u>	<u>(168,398)</u>
<u>0</u>	<u>(168,398)</u>	<u>(168,398)</u>
(18,263,707)	(168,398)	(18,432,105)
4,892,327	0	4,892,327
11,934,883	0	11,934,883
14,422	0	14,422
60,698	0	60,698
556	0	556
174,433	0	174,433
(94,700)	94,700	0
<u>16,982,619</u>	<u>94,700</u>	<u>17,077,319</u>
(1,281,088)	(73,698)	(1,354,786)
<u>7,386,102</u>	<u>(50,261)</u>	<u>7,335,841</u>
<u>\$ 6,105,014</u>	<u>\$ (123,959)</u>	<u>\$ 5,981,055</u>

Carrollton Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,124,965	\$ 156,478	\$ 3,281,443
Restricted Pooled Cash and Cash Equivalents	121,798	0	121,798
Materials and Supplies Inventory	122,725	0	122,725
Accounts Receivable	4,015	2,845	6,860
Intergovernmental Receivable	23,111	0	23,111
Prepaid Items	5,425	22,055	27,480
Taxes Receivable	5,212,086	0	5,212,086
<i>Total Assets</i>	<u>\$ 8,614,125</u>	<u>\$ 181,378</u>	<u>\$ 8,795,503</u>
Liabilities			
Accounts Payable	\$ 100,951	\$ 1,265	\$ 102,216
Accrued Wages and Benefits	2,040,350	131,161	2,171,511
Intergovernmental Payable	361,470	6,878	368,348
Deferred Revenue	5,091,086	0	5,091,086
<i>Total Liabilities</i>	<u>7,593,857</u>	<u>139,304</u>	<u>7,733,161</u>
Fund Balances			
Fund Balance:			
Reserved for Encumbrances	265,020	125,290	390,310
Reserved for Inventory	122,725	0	122,725
Reserved for Property Taxes	121,000	0	121,000
Reserved for Budget Stabilization	121,798	0	121,798
Unreserved, Designated:			
Designated for Budget Stabilization	195,625	0	195,625
Unreserved, Undesignated, Reported in:			
General Fund	194,100	0	194,100
Special Revenue Funds	0	(46,271)	(46,271)
Capital Projects Funds	0	(36,945)	(36,945)
<i>Total Fund Balances</i>	<u>1,020,268</u>	<u>42,074</u>	<u>1,062,342</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,614,125</u>	<u>\$ 181,378</u>	<u>\$ 8,795,503</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

Carrollton Exempted Village School District
Reconciliation of Total Governmental Fund Balances to
Net Assets Governmental Activities
June 30, 2003

Total Governmental Fund Balances	\$	1,062,342
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		6,464,363
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes		247,086
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		268,502
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	\$ (1,648,453)	
Capital Lease Payable	(130,681)	
Intergovernmental Payable	<u>(158,145)</u>	<u>(1,937,279)</u>
 Net Assets of Governmental Activities	 \$	 <u><u>6,105,014</u></u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

Carrollton Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 4,896,545	\$ 0	\$ 4,896,545
Intergovernmental	11,983,208	1,248,581	13,231,789
Interest	52,721	0	52,721
Tuition and Fees	136,742	1,229	137,971
Rent	2,612	0	2,612
Extracurricular Activities	6,226	100,611	106,837
Gifts and Donations	4,944	9,478	14,422
Customer Sales and Services	5,068	0	5,068
Miscellaneous	172,124	2,309	174,433
<i>Total Revenues</i>	<u>17,260,190</u>	<u>1,362,208</u>	<u>18,622,398</u>
Expenditures			
Current:			
Instruction:			
Regular	8,766,406	401,963	9,168,369
Special	1,501,086	611,349	2,112,435
Vocational	244,624	0	244,624
Adult/Continuing	0	14,518	14,518
Other	37,064	0	37,064
Support Services:			
Pupils	1,108,634	19,224	1,127,858
Instructional Staff	528,777	381,755	910,532
Board of Education	21,939	0	21,939
Administration	1,579,460	9,523	1,588,983
Fiscal	530,084	0	530,084
Business	223,803	440	224,243
Operation and Maintenance of Plant	1,799,486	55,496	1,854,982
Pupil Transportation	1,616,312	9,342	1,625,654
Central	79,021	0	79,021
Operation of Non-Instructional Services	18,429	25,209	43,638
Extracurricular Activities	305,880	103,466	409,346
Capital Outlay	330,682	0	330,682
Debt Service:			
Principal	89,137	0	89,137
Interest	5,752	0	5,752
Intergovernmental	0	8,158	8,158
<i>Total Expenditures</i>	<u>18,786,576</u>	<u>1,640,443</u>	<u>20,427,019</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,526,386)</u>	<u>(278,235)</u>	<u>(1,804,621)</u>
Other Financing Sources (Uses)			
Transfers In	10,042	0	10,042
Proceeds from Sale of Fixed Assets	556	0	556
Inception of Capital Lease	129,285	0	129,285
Transfers Out	(97,440)	(7,302)	(104,742)
<i>Total Other Financing Sources and Uses</i>	<u>42,443</u>	<u>(7,302)</u>	<u>35,141</u>
<i>Net Change in Fund Balances</i>	(1,483,943)	(285,537)	(1,769,480)
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,490,855	327,611	2,818,466
<i>Increase in Reserve for Inventory</i>	<u>13,356</u>	<u>0</u>	<u>13,356</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 1,020,268</u>	<u>\$ 42,074</u>	<u>\$ 1,062,342</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

Carrollton Exempted Village School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (1,769,480)

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

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

Fixed Asset Additions	\$ 811,169	
Current Year Depreciation	<u>(411,635)</u>	399,534

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

Delinquent Property Taxes	(52,543)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Capital Leases	89,137
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Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Capital Leases	(129,285)	
Compensated Absences	(162,986)	
Pension Obligation	(33,488)	
Change in Inventory	<u>13,356</u>	(312,403)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.

<u>364,667</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (1,281,088)</u></u>
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The Accompanying Notes are an Integral Part of these Basic Financial Statements.

Carrollton Exempted Village School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property and Other Local Taxes	\$ 5,130,000	\$ 4,945,302	\$ 4,945,302	\$ 0
Intergovernmental	12,245,000	11,915,705	11,915,705	0
Interest	80,000	49,654	52,721	3,067
Tuition and Fees	176,500	135,848	136,153	305
Rent	0	3,303	3,303	0
Extracurricular Activities	6,700	6,184	6,512	328
Gifts and Donations	4,000	4,944	4,944	0
Customer Sales and Services	4,500	5,068	5,068	0
Miscellaneous	200	6,286	6,286	0
<i>Total Revenues</i>	<u>17,646,900</u>	<u>17,072,294</u>	<u>17,075,994</u>	<u>3,700</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,057,314	8,479,073	8,447,741	31,332
Special	1,343,736	1,480,850	1,470,004	10,846
Vocational	245,265	245,262	236,794	8,468
Adult/Continuing	1,000	1,000	0	1,000
Other	12,000	37,100	37,064	36
Support Services:				
Pupils	927,871	1,070,463	1,064,098	6,365
Instructional Staff	565,549	553,490	499,594	53,896
Board of Education	18,886	21,257	20,204	1,053
Administration	1,532,565	1,568,189	1,511,335	56,854
Fiscal	519,507	545,736	497,482	48,254
Business	131,240	233,695	233,464	231
Operation and Maintenance of Plant	1,874,969	1,894,669	1,883,262	11,407
Pupil Transportation	1,686,226	1,683,006	1,588,209	94,797
Central	103,000	103,000	57,642	45,358
Operation of Non-Instructional Services:				
Community Services	22,173	22,173	18,864	3,309
Extracurricular Activities:				
Academic Oriented Activities	117,500	118,011	109,284	8,727
Sport Oriented Activities	192,000	195,053	193,198	1,855
Capital Outlay:				
Site Improvement Services	117,770	135,770	134,952	818
Architecture and Engineering Services	2,342	3,742	3,740	2
Building Improvement Services	189,500	154,500	65,047	89,453
Debt Service:				
Principal	0	89,137	89,137	0
Interest	0	5,752	5,752	0
<i>Total Expenditures</i>	<u>18,660,413</u>	<u>18,640,928</u>	<u>18,166,867</u>	<u>474,061</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,013,513)</u>	<u>(1,568,634)</u>	<u>(1,090,873)</u>	<u>477,761</u>
Other Financing Sources (Uses)				
Transfers In	0	10,042	10,042	0
Proceeds from Sale of Fixed Assets	500	556	556	0
Refund of Prior Year Expenditures	53,500	162,942	162,942	0
Advances In	100,000	202,726	202,726	0
Transfers Out	(100,000)	(127,440)	(97,440)	30,000
Advances Out	(100,000)	(173,000)	(202,726)	(29,726)
Other Financing Uses	(82,661)	(1,705)	0	1,705
<i>Total Other Financing Sources and Uses</i>	<u>(128,661)</u>	<u>74,121</u>	<u>76,100</u>	<u>1,979</u>
<i>Net Change in Fund Balances</i>	<u>(1,142,174)</u>	<u>(1,494,513)</u>	<u>(1,014,773)</u>	<u>479,740</u>
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,865,555	2,865,555	2,865,555	0
<i>Prior Year Encumbrances Appropriated</i>	<u>718,202</u>	<u>718,202</u>	<u>718,202</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 2,441,583</u>	<u>\$ 2,089,244</u>	<u>\$ 2,568,984</u>	<u>\$ 479,740</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

Carrollton Exempted Village School District

Statement of Fund Net Assets

Proprietary Funds

June 30, 2003

	Business-Type Activities	Governmental Activities - Internal Service Fund
	Food Service	
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 1,242	\$ 74,215
Cash and Cash Equivalents with Fiscal Agents	0	697,420
Inventory Held for Resale	4,089	0
<i>Total Current Assets</i>	<u>5,331</u>	<u>771,635</u>
Noncurrent Assets:		
Depreciable Capital Assets, Net	<u>27,538</u>	<u>0</u>
<i>Total Assets</i>	<u>32,869</u>	<u>771,635</u>
Liabilities		
Accrued Wages and Benefits	85,427	0
Intergovernmental Payable	34,179	0
Claims Payable	0	503,133
<i>Total Current Liabilities</i>	<u>119,606</u>	<u>503,133</u>
Long-Term Liabilities		
Compensated Absences Payable	<u>37,222</u>	<u>0</u>
<i>Total Liabilities</i>	<u>156,828</u>	<u>503,133</u>
Net Assets		
Invested in Capital Assets	27,538	0
Unrestricted (Deficit)	<u>(151,497)</u>	<u>268,502</u>
<i>Total Net Assets (Deficit)</i>	<u>\$ (123,959)</u>	<u>\$ 268,502</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

Carrollton Exempted Village School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities	Governmental Activities - Internal Service Fund
	Food Service	
Operating Revenues		
Sales	\$ 375,991	\$ 0
Charges for Services	0	2,632,194
<i>Total Operating Revenues</i>	<u>375,991</u>	<u>2,632,194</u>
Operating Expenses		
Salaries	281,760	0
Fringe Benefits	283,730	0
Purchased Services	31,859	451,311
Materials and Supplies	393,163	0
Depreciation	1,362	0
Claims	0	1,824,193
Other	947	0
<i>Total Operating Expenses</i>	<u>992,821</u>	<u>2,275,504</u>
<i>Operating Income (Loss)</i>	<u>(616,830)</u>	<u>356,690</u>
Non-Operating Revenues		
Federal Donated Commodities	46,799	0
Interest	0	7,977
Federal and State Subsidies	401,633	0
<i>Total Non-Operating Revenues</i>	<u>448,432</u>	<u>7,977</u>
<i>Income (Loss) Before Transfers</i>	(168,398)	364,667
Transfers In	94,700	0
<i>Net Change in Net Assets</i>	(73,698)	364,667
<i>Net Assets (Deficit) at Beginning of Year</i>	<u>(50,261)</u>	<u>(96,165)</u>
<i>Net Assets (Deficit) at End of Year</i>	<u>\$ (123,959)</u>	<u>\$ 268,502</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

Carrollton Exempted Village School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities -	
	Enterprise Funds	Governmental Activities - Internal Service Fund
	Food Service	
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 375,991	\$ 2,632,194
Cash Received from Quasi-External		
Cash Paid for Goods and Services	(360,450)	(451,311)
Cash Paid to Employees	(541,948)	0
Cash Paid for Claims	0	(1,505,625)
Other Cash Payments	(947)	0
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(527,354)</u>	<u>675,258</u>
Cash Flows From Non-Capital Financing Activities:		
Transfers from Other Funds	94,700	0
Advances to Other Funds	(78,000)	0
Advances from Other Funds	78,000	0
Operating Grants Received	401,633	0
Other Non-Operating Revenues	208	0
<i>Net Cash Provided By (Used For) Non-Capital Activities</i>	<u>496,541</u>	<u>0</u>
Cash Flows From Investing Activities:		
Interest on Investments	0	7,977
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>0</u>	<u>7,977</u>
Cash Flows From Capital and Related Activities:		
Payment for Capital Acquisitions	(12,443)	0
<i>Net Cash Provided By (Used For) Capital and Related Financing Activities</i>	<u>(12,443)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(43,256)	683,235
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>44,498</u>	<u>88,400</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 1,242</u>	<u>\$ 771,635</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	\$ (616,830)	\$ 356,690
Adjustments:		
Depreciation	1,362	0
Federal Donated Commodities	46,799	0
(Increase) Decrease Assets		
Prepaid Items	14,853	0
Inventory	2,920	0
Increase (Decrease) in Liabilities		
Accounts Payable	(657)	0
Accrued Wages and Benefits	14,986	0
Compensated Absences Payable	2,860	0
Intergovernmental Payable	6,353	0
Claims Payable	0	318,568
<i>Total Adjustments</i>	<u>89,476</u>	<u>318,568</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (527,354)</u>	<u>\$ 675,258</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

Carrollton Exempted Village School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2003

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 28,795
Accounts Receivable	240
	<hr/>
<i>Total Assets</i>	<u>\$ 29,035</u>
Liabilities	
Accounts Payable	\$ 2,568
Due to Students	26,467
	<hr/>
<i>Total Liabilities</i>	<u>\$ 29,035</u>

The Accompanying Notes are an Integral Part of these Basic Financial Statements.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1867 with the construction of a six room school house. The School District serves an area of approximately 297 square miles. It is located in Carroll County, and includes all of the Village of Carrollton. The School District is the 164th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 118 classified employees and 189 certificated employees who provide services to 2894 students and other community members. The School District currently operates 9 instructional buildings, 2 administrative buildings and 1 bus garage.

Reporting Entity

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

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

The School District is associated with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a jointly governed organization. See Note 17.

Note 2 - Summary of Significant Accounting Policies

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the School District's proprietary fund types:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

Food Service Fund This fund accounts for the financial transactions related to the food service operations of the School District.

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities 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.

E. Cash and Cash Equivalents

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

During fiscal year 2003, investments were limited to overnight repurchase agreements, money market mutual funds and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost. The fair value of the mutual fund is determined by the fund's June 30, 2003, share price.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2003. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$52,721, which includes \$9,197 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The School District does not have a prepaid expense balance at year end.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material, capital acquisition, and to create a reserve for budget stabilization. See Note 18 for additional information regarding set asides.

I. Capital Assets

General capital assets are those assets that result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Land Improvements	25 Years	N/A
Buildings and Building Improvements	15 - 50 Years	N/A
Improvements Other Than Buildings	25 Years	N/A
Furniture and Equipment	6 - 20 Years	N/A
Machinery and Equipment	6 - 20 Years	6 - 20 Years
Vehicles	13 Years	N/A

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the statement of net assets. The School District has no such transaction balance at year end.

K. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for 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 employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's amount of accumulated sick leave that will be paid as a termination benefit.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Accrued Liabilities and Long-term Obligations

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

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

M. Net Assets

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

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

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, property taxes, budget and capital maintenance.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Interfund Activity

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

R. Estimates

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

S. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. For all funds, the legal level of control was at the fund level. Budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board 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 Tuscarawas County Budget Commission for rate determination.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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

Lapsing of Appropriations At the close of each 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 need not be reappropriated.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 3 - Change in Accounting Principle and Restatement of Fund Balances/Net Assets

Changes in Accounting Principles For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”; GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements No. 37 or No. 38.

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

The government-wide financial statements split the School District’s programs for governmental activities and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in Statement No. 34. Due to these fund reclassifications, there are no business type activities reported.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences, reported as “severance payable”, which had not matured during fiscal year 2002 and has reported prepaid amounts for services not yet consumed.

Restatement of Fund Balance The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Aggregate Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$ 2,490,855	\$ 327,611	\$ 2,818,466
GASB 34 Adjustments:			
Capital Assets			6,064,829
Compensated Absences			(1,485,467)
Internal Service Fund			(96,165)
Pension Obligations			(124,657)
Long-Term (Deferred) Assets			299,629
Long-Term Liabilities			<u>(90,533)</u>
Governmental Activities Net Assets, June 30, 2002			<u>\$ 7,386,102</u>

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 4 - Accountability

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit</u>
Non-major Funds:	
EMIS	\$ 29
DPIA	292
Title VI	129
Preschool Grant	5,531
Reducing Class Size	<u>962</u>
Total	<u>\$ 6,943</u>

The deficits in those funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance/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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund 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) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 5 - Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ (1,483,943)
Net Adjustment for Revenue Accruals	(150,539)
Advances In	202,726
Advances Out	(202,726)
Net Adjustment for Expenditure Accruals	977,888
Adjustment for Encumbrances	<u>(358,179)</u>
Budget Basis	<u><u>\$ (1,014,773)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments (Continued)

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 securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in a amount not to exceed twenty-five percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments (Continued)

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

Deposits: At year-end, the carrying amount of the School District's deposits was \$(103,856) and the bank balance was \$71,485 and was covered by federal depository insurance.

Funds Held by Fiscal Agent: The School District participates in the Ohio Mid-Eastern Regional Education Service Agency School Employees Insurance Consortium for employee benefits. The bank balance at fiscal year end for the Employee Benefit Self-Insurance Fund was \$697,419. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

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

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreement	\$ 561,041	\$ 561,041	\$ 561,041
STAR Ohio	0	3,050,309	3,050,309
Total	<u>\$ 561,041</u>	<u>\$ 3,611,350</u>	<u>\$ 3,611,350</u>

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."

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

	<u>Cash & Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,204,913	\$ 0
Cash held by Fiscal Agent	(697,419)	0
Investments which are part of cash management pool:		
Repurchase Agreements	(561,041)	561,041
STAROhio	<u>(3,050,309)</u>	<u>3,050,309</u>
GASB Statement No. 3	<u>\$ (103,856)</u>	<u>\$ 3,611,350</u>

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) is for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

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

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 213,096,390	84.71%	\$ 213,096,390	84.71%
Public Utility Personal	28,337,260	11.26%	30,208,420	12.01%
Tangible Personal Property	10,139,183	4.03%	10,139,180	4.03%
Total Assessed Values	<u>\$ 251,572,833</u>	<u>100.00%</u>	<u>\$ 253,443,990</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$20.00		\$29.40	

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 later payment dates to be established.

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 7 - Property Taxes (Continued)

The School District receives property taxes from Carroll County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available to the School District as an advance at June 30, 2003, was \$121,000.

Note 8 - Receivables

Receivables at June 30, 2003, consisted of taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
JROTC Reimbursement	\$ 3,812
E-Rate	19,299
	<hr/>
Total	<u>\$ 23,111</u>

Carrollton Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003 was as follows:

	Balance 6/30/2002	Additions	Reductions	Balance 6/30/2003
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 101,246	\$ 0	\$ 0	\$ 101,246
 <i>Depreciable Capital Assets:</i>				
Land improvements	496,090	101,557	(9,675)	587,972
Buildings and building improvements	7,070,953	27,430	(2,032)	7,096,351
Improvements other than buildings	117,431	51,719	0	169,150
Furniture and equipment	116,636	33,619	0	150,255
Machinery and equipment	1,240,715	375,836	(15,886)	1,600,665
Vehicles	2,398,946	221,008	(310,680)	2,309,274
<i>Total capital assets, being depreciated</i>	11,440,771	811,169	(338,273)	11,913,667
 Less accumulated depreciation:				
Land improvements	(263,460)	(11,538)	9,675	(265,323)
Buildings and building improvements	(3,350,691)	(97,505)	2,032	(3,446,164)
Improvements other than buildings	(33,442)	(5,979)	0	(39,421)
Furniture and equipment	(19,111)	(8,370)	0	(27,481)
Machinery and equipment	(655,776)	(140,559)	15,886	(780,449)
Vehicles	(1,154,708)	(147,684)	310,680	(991,712)
<i>Total accumulated depreciation</i>	(5,477,188)	(411,635)	338,273	(5,550,550)
<i>Total capital assets being depreciated, net</i>	5,963,583	399,534	0	6,363,117
<i>Governmental activities capital assets, net</i>	\$ 6,064,829	\$ 399,534	\$ 0	\$ 6,464,363
 Business-Type Activities				
Furniture and fixtures	\$ 9,279	\$ 12,443	\$ 0	\$ 21,722
Machinery and equipment	137,184	0	0	137,184
Less accumulated depreciation	(130,006)	(1,362)	0	(131,368)
<i>Business-Type Activities Capital Assets, net</i>	\$ 16,457	\$ 11,081	\$ 0	\$ 27,538

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 9: Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	215,106
Special		7,588
Vocational		808
Support Services:		
Pupils		1,786
Instructional Staff		2,225
Administration		5,315
Fiscal		2,789
Business		2,200
Operation and Maintenance of Plant		22,524
Pupil Transportation		144,351
Operation of Non-Instructional Services		788
Extracurricular Activities		6,155
		<hr/>
Total Depreciation	\$	<u>411,635</u>

Note 10 - Risk Management

A. Property and Liability

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

<u>Type of Coverage</u>	<u>Coverage</u>
Building and Contents - replacement cost	\$28,614,950
Steam Boiler	3,000,000
Automobile Liability	3,000,000
General Liability:	
Per Occurrence	2,000,000
Total Per Year	4,000,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 10 - Risk Management (Continued)

B. Employee Medical Benefits

Medical and surgical insurance is offered to all employees, and dental insurance is offered to certificated employees through a self insurance internal service fund. The School District is a member of the Ohio Mid- Eastern Regional Education Service Agency Health Benefit Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$503,133 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claims liability for the fiscal years 2003 and 2002 are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
2002	\$ 173,748	\$ 1,914,757	\$ 1,903,940	\$ 184,565
2003	184,565	1,824,193	1,505,625	503,133

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

Note 11 - Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2002, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2002. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For fiscal year ended June 30, 2003, plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 6%. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$830,221, \$755,370 and \$751,997, respectively; 82% has been contributed for fiscal year 2003, and 100% for fiscal years 2002 and 2001. \$151,799, representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

B. School Employees Retirement System

Minerva Local School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 5.45% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

Note 11 - Defined Benefit Pension Plans (Continued)

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$141,437, \$124,042, and \$97,312, respectively; 48% has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001. \$73,739, representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

Note 12 - Postemployment Benefits

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

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% of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equaled 1% of covered payroll to the Health Care Reserve Fund, a decrease from 3.5% for fiscal year 2002. For the School District, this amount equaled \$87,392 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002 (the latest information available), the balance in the fund was \$3.011 billion. For the year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 years or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 9.80% of covered payroll, an increase from 8.45% for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$288,242.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 (the latest information possible), SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 13 - Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 240 days for classified employees and 240 days for certified employees. Upon retirement, payment is made for 30 percent of total sick leave accumulated; to a maximum of 60 days for classified employees, to a maximum of 60 days for certificated employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to contracted employees through OME-RESA Health Plan Insurance. The Board pays the cost of the monthly premium, \$5.00 per employee.

Note 14 - Long-Term Obligations

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

	<u>Outstanding 6/30/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2003</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 1,485,467	\$ 162,986	\$ 0	\$ 1,648,453	\$ 94,990
Capital Lease Payable	<u>90,533</u>	<u>129,285</u>	<u>(89,137)</u>	<u>130,681</u>	<u>87,629</u>
Total - Governmental Activities	1,576,000	292,271	(89,137)	1,779,134	182,619
Business-Type Activities:					
Compensated Absences	<u>34,362</u>	<u>2,860</u>	<u>0</u>	<u>37,222</u>	<u>0</u>
Total Long-Term Obligations	<u>\$ 1,610,362</u>	<u>\$ 295,131</u>	<u>\$ (89,137)</u>	<u>\$ 1,816,356</u>	<u>\$ 182,619</u>

The School District's overall legal debt margin was \$22,809,959 at June 30, 2003.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 15 – Capital Leases

During the current year, the School District entered into a capitalized lease for various computer software and equipment. The School District entered into a capitalized lease for equipment in the prior year. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by the leases have been capitalized in the amount of \$268,734. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general fund. Principal payments in fiscal year 2003 totaled \$89,137 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

	<u>Amount</u>
Fiscal Year Ended June 30,	
2004	\$ 94,889
2005	<u>45,508</u>
Total Lease Payments	140,397
Less: Amount Representing Interest	<u>(9,716)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 130,681</u></u>

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is party to a legal proceeding. The School District’s management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material adverse effect, if any on the financial condition of the School District.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 17 - Jointly Governed Organization

Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952. The School District made no contributions for fiscal year 2003.

Note 18 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2003, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	<u>Textbooks/ Instructional Materials Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Totals</u>
Set-aside Reserved Balance				
as of June 30, 2002	\$ (335,940)	\$ 0	\$ 121,798	\$ (214,142)
Current Year Set-aside	357,038	357,038	0	714,076
Current Year Qualifying				
Disbursements	<u>(961,847)</u>	<u>(530,301)</u>	<u>0</u>	<u>(1,492,148)</u>
Totals	<u>\$ (940,749)</u>	<u>\$ (173,263)</u>	<u>\$ 121,798</u>	<u>\$ (992,214)</u>
Set-aside Balance Carried				
Forward to Future Fiscal Years	<u>\$ (940,749)</u>	<u>\$ 0</u>	<u>\$ 121,798</u>	
Set-aside Reserve Balance				
as of June 30, 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 121,798</u>	

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 18 - Set-Asides (Continued)

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$121,798.

Note 19 – 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 is unconstitutional.

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

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 12, 2004

To the Board of Education
Carrollton Exempted Village School District
Carrollton, OH 44615

**Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carrollton Exempted Village School District (the "School District") as of and for the year then ended June 30, 2003, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 12, 2004 which included an explanatory paragraph regarding the accounting change to GASB 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 12, 2004

To the Board of Education
Carrollton Exempted Village School District
Carrollton, OH 44615

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of Carrollton Exempted Village School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The School District's major federal programs are identified in the "summary of auditor's results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Carrollton Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carrollton Exempted Village School District as of and for the year ended June 30, 2003, and have issued our report thereon dated March 12, 2004 which included an explanatory paragraph regarding the accounting change to GASB 34. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Hea & Associates, Inc.

CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT
 CARROLL COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION Passed through Ohio Department of Education						
Title 1, Part A, ESEA Elementary and Secondary Education Act	84.010	C1S1 - 2001 C1S1 - 2001 - C C1S1 - 2002 C1S1 - 2003 C1SD - 2002 C1SD - 2003	\$ (4,181) 4,181 0 517,858 (5,644) 0		\$ 0 4,181 134,207 454,835 0 0	
Total Title I			<u>512,214</u>		<u>593,223</u>	
Special Education Cluster: Special Education Grants to States	84.027	6BSF - 2002 - P 6BSF - 2003 - P	1,440 284,591		64,094 255,247	
Special Education - Preschool Grants	84.173	PGS1 - 2003 - P	<u>26,275</u>		<u>23,127</u>	
Total Special Education Cluster			<u>312,306</u>		<u>342,468</u>	
Title VI, of IESA Innovative Education Program Strategies	84.298	C2S1 - 2003	16,791		16,791	
Title VI R Class Reduction	84.340	CRS1 - 2002	75,004		75,004	
Total Eisenhower Professional Development Grant	84.281	MSS1 - 2002	2,085		2,293	
Safe, Drug-Free Schools & Communities Act Grant	84.186	DRS1 - 2003	17,556		17,556	
Title II-A Teacher Quality	84.367	TRS1 - 2003	161,414		143,049	
Title II-D Technology	84.318	TJS1 - 2003	14,180		13,092	
Retarded / Disabled Programs	84.330	AVS1 - 2003	100		100	
School Renovation & Technology	84.352A	ATS3 - 2003	6,860		6,860	
Total U. S. Department of Education			<u>1,118,510</u>		<u>1,210,436</u>	
U. S. DEPARTMENT OF AGRICULTURE Passed through Ohio Department of Education: Nutrition Cluster:						
Food Distribution Program	10.550	FY03		\$ 47,110		\$ 47,110
School Breakfast Program	10.553	05PU - 2002 05PU - 2003	9,346 <u>70,748</u>		9,346 <u>70,748</u>	
Total School Breakfast Program			<u>80,094</u>		<u>80,094</u>	
National School Lunch Program	10.555	LLP4 - 2002 LLP4 - 2003	38,258 <u>260,265</u>		38,258 <u>260,265</u>	
Total National School Lunch Program			<u>298,523</u>		<u>298,523</u>	
Total US Department of Agriculture - Nutrition Cluster			<u>378,617</u>	<u>47,110</u>	<u>378,617</u>	<u>47,110</u>
Total Federal Financial Assistance			<u>\$ 1,497,127</u>	<u>\$ 47,110</u>	<u>\$ 1,589,053</u>	<u>\$ 47,110</u>

CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT
CARROLL COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: NUTRITION CLUSTER

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 2003, the School District had no significant food commodities inventory. Reimbursement moneys are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT
CARROLL COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness Conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control Weakness conditions reported at the Financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-Compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control Weakness conditions reported for major Federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Title II Part A Special Education Cluster	CFDA # 84.367 CFDA # 84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

NONE	
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE	
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**Auditor of State
Betty Montgomery**

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CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT

CARROLL 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
APRIL 22, 2004**