

**ROSSFORD VILLAGE EXEMPTED
VILLAGE SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2003

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Education
Rossford Exempted Village School District
Rossford, Ohio

We have reviewed the Independent Auditor's Report of the Rossford Exempted Village School District, Wood County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2002 through 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 Rossford Exempted Village School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 29, 2004

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ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Rossford Exempted Village School District:

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rossford Exempted Village School District (the School District) 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 basic 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 *Governmental 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*; and GASB Interpretation No. 6, *Recognition and Measurements of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2004, 2004 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of School District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the School District. 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.

The Management's Discussion and Analysis and budgetary information on pages 3 through 9 and pages 38 through 40, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 9, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the Rossford Exempted Village School District for the year ended June 30, 2003. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2003 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$7.2 million. Of this amount, \$0.8 million may be used to meet the government's ongoing obligations to citizens and creditors.
- ✓ In total, net assets increased by \$1.3 million.
- ✓ The School District had \$18.7 million in expenses related to governmental activities; only \$1.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$18.4 million, made up primarily of property taxes and State Foundation payments, were adequate to provide for these programs.
- ✓ The General Fund balance increased by \$533,705 from \$(372,282) at June 30, 2002 to \$161,423 at June 30, 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2003
Unaudited

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds -- unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

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

Notes to the basic 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net assets at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2003:

	Governmental
	<u>Activities</u>
Current and other assets	\$ 20,015,980
Capital assets	<u>5,995,105</u>
Total assets	<u>26,011,085</u>
Long-term debt outstanding	1,825,294
Other liabilities	<u>16,966,132</u>
Total liabilities	<u>18,791,426</u>
Net assets:	
Invested in capital assets, net of debt	5,680,105
Restricted:	
For capital purposes	485,927
Other purposes	237,886
Unrestricted	<u>815,741</u>
Total net assets	\$ <u>7,219,659</u>

Because this is the first year to report all activities using the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current- and prior-year assets, liabilities, and changes in net assets. Refer to the following section for discussion of the reasons for the change in net assets during the year.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2003
Unaudited

B. Governmental and Business-type Activities during fiscal year 2003

The following table presents a condensed summary of the School District's activities during fiscal year 2003 and the resulting change in net assets:

	Governmental Activities
Revenues:	
Program revenues:	
Charges for services and sales	\$ 569,192
Operating grants and contributions	974,207
Capital grants and contributions	<u>30,718</u>
Total program revenues	<u>1,574,117</u>
General revenues:	
Property taxes	13,940,399
Grants and entitlements	4,120,874
Investment earnings	79,707
Miscellaneous	<u>246,706</u>
Total general revenues	<u>18,387,686</u>
Total revenues	<u>19,961,803</u>
Expenses:	
Instruction	10,655,348
Support services:	
Pupil	1,252,777
Instructional staff	865,587
Board of Education	23,487
Administration	1,505,076
Fiscal	306,626
Business	103,582
Operation and maintenance of plant	1,621,980
Pupil transportation	810,857
Central	285,427
Non-instructional services	736,909
Interest and fiscal charges	25,788
Food services	<u>500,276</u>
Total expenses	<u>18,693,720</u>
Change in net assets	\$ <u><u>1,268,083</u></u>

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2003
Unaudited

Of the total governmental activities revenues of \$19,961,803, \$1,574,117 (8%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 76% (\$13,940,399) comes from property tax levies and 22% (\$4,120,874) is from state and federal funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

As previously mentioned, because this is the first year to report all activities using the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current- and prior-year assets, liabilities, and changes in net assets.

Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 8% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$10,655,348 but program revenue contributed to fund 6% of those costs. Thus, general revenues of \$10,021,944 were used to support of remainder of the instruction costs.

Governmental Activities				
	<u>Total Cost</u>	<u>Program</u>	<u>Revenues</u>	<u>Net Cost</u>
	<u>of Services</u>	<u>Revenue</u>	<u>as a % of</u>	<u>of Services</u>
			<u>Total Costs</u>	
Instruction	\$ 10,655,348	633,404	6%	10,021,944
Support services	6,775,399	215,068	3%	6,560,331
Non-instructional services	736,909	273,640	37%	463,269
Food services	500,276	452,005	90%	48,271
Interest and fiscal charges	<u>25,788</u>	<u>-</u>	0%	<u>25,788</u>
Total	\$ <u>18,693,720</u>	<u>1,574,117</u>	<u>8%</u>	<u>17,119,603</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has one major governmental fund: the General Fund. Assets of this fund comprise \$17,037,417 (85%) of the total \$20,059,755 governmental funds assets.

General Fund. Fund balance at June 30, 2003 was \$161,423, which represents about 1% of expenditures for fiscal year 2003.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2003
Unaudited

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information. 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. During the course of fiscal year 2003, the School District amended its General Fund budget as needed.

Final expenditures were budgeted at \$17,657,382 while actual expenditures were \$16,665,303. The \$992,079 difference is primarily due to a conservative "worst case scenario" approach. The School District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Actual general fund revenues were less than expenditures by \$43,350. During fiscal year 2003, interest revenue decreased significantly due to the declining economy. Open enrollment dollars were also recorded as gross receipts for incoming students and expenditures for outgoing students

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2003, the School District had \$5,995,105 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. See Note 6 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

		Governmental <u>Activities</u>
Land	\$	408,500
Land improvements		346,545
Buildings and improvements		4,128,408
Furniture and equipment		818,778
Vehicles		<u>292,874</u>
Total	\$	<u><u>5,995,105</u></u>

Debt

At June 30, 2003, the School District had \$315,000 in general obligation bonds outstanding which were issued for building improvements. The bonds were issued for a five year period, with final maturity on December 31, 2003. The bonds are being retired through the permanent improvement fund. For further information regarding the School District's debt see note 11 to the basic financial statements.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2003
Unaudited

ECONOMIC FACTORS

A challenge facing the School District is the future of state funds. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance.

The School District is holding its own in the state of a declining economy and uncertainty in State funding. The School District is a small rural community of 6,500 people in Northwest Ohio and has a significant number of small businesses and industry with agriculture as part of the economy.

The School District is currently operating in the first year of the state biennium budget. According to the 2003 Local District Report Card, 76.7% of School District revenue sources are from local funds, 18.6% from state funds and the remaining 4.7% from federal funds. The total expenditure per pupil was calculated at \$8,648, which is a \$392 increase from the 2002 report card.

Over the past several years, the School District has remained in a good financial position. In 1991, the District passed a five-year 7.9 mill levy and has replaced it twice. This levy provides a continuous source of funds for the financial operations and stability of the District. The District also passed an additional 7.9 mill 5-year operating levy in 2002, which collects an additional \$3,030,000 per year.

The District also passed a 2.0 mill permanent improvement levy in 1998. This generates approximately \$100,000 additional revenue to be used for maintaining, equipping and improving facilities of the school district. This levy is expiring December 31, 2003.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to James Rossler, Jr., Treasurer, Rossford Exempted Village School District, 601 Superior Street, Rossford, Ohio 43460.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 3,613,132
Receivables:	
Taxes	16,161,746
Accounts	56,654
Intergovernmental	180,369
Supplies inventory	4,079
Nondepreciable capital assets	408,500
Depreciable capital assets, net	<u>5,586,605</u>
Total assets	<u>26,011,085</u>
Liabilities:	
Accounts payable	42,722
Accrued wages and benefits	1,945,461
Pension obligation payable	293,644
Deferred revenue	14,684,305
Noncurrent liabilities:	
Due within one year	503,727
Due within more than one year	<u>1,321,567</u>
Total liabilities	<u>18,791,426</u>
Net Assets:	
Invested in capital assets, net of related debt	5,680,105
Restricted for:	
Capital projects	485,927
Other purposes	237,886
Unrestricted	<u>815,741</u>
Total net assets	<u>\$ 7,219,659</u>

See accompanying notes to the basic financial statements.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2003

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 8,852,468	150,700	174,677	30,718	(8,496,373)
Special education	1,578,118	-	277,309	-	(1,300,809)
Adult/continuing	224,762	-	-	-	(224,762)
Support services:					
Pupil	1,252,777	-	57,714	-	(1,195,063)
Instructional staff	865,587	-	110,711	-	(754,876)
Board of education	23,487	-	-	-	(23,487)
Administration	1,505,076	-	46,643	-	(1,458,433)
Fiscal	306,626	-	-	-	(306,626)
Business	103,582	-	-	-	(103,582)
Operation and maintenance of plant	1,621,980	-	-	-	(1,621,980)
Pupil transportation	810,857	-	-	-	(810,857)
Central	285,427	-	-	-	(285,427)
Non-instructional services:					
Extracurricular activities	571,012	129,975	-	-	(441,037)
Community service	165,897	-	143,665	-	(22,232)
Food service	500,276	288,517	163,488	-	(48,271)
Interest and fiscal charges	25,788	-	-	-	(25,788)
Total Governmental Activities	\$ <u>18,693,720</u>	<u>569,192</u>	<u>974,207</u>	<u>30,718</u>	<u>(17,119,603)</u>
General Revenues:					
Property taxes, levied for general purposes					13,335,211
Property taxes, levied for permanent improvement					605,188
Grants and entitlements not restricted to specific programs					4,120,874
Investment earnings					79,707
Miscellaneous					246,706
Total general revenues					<u>18,387,686</u>
Change in net assets					1,268,083
Net assets beginning of year, restated					<u>5,951,576</u>
Net assets end of year					<u>7,219,659</u>

See accompanying notes to the basic financial statements.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 1,405,692	2,207,440	3,613,132
Receivables:			
Taxes	15,532,928	628,818	16,161,746
Accounts	55,022	1,632	56,654
Intergovernmental	-	180,369	180,369
Materials and supplies inventory	-	4,079	4,079
Interfund receivable	43,775	-	43,775
Total assets	<u>17,037,417</u>	<u>3,022,338</u>	<u>20,059,755</u>
Liabilities:			
Accounts payable	29,719	13,003	42,722
Accrued wages and benefits	1,856,182	89,279	1,945,461
Intergovernmental payable	274,199	19,445	293,644
Interfund payable	-	43,775	43,775
Compensated absences payable	71,615	-	71,615
Deferred revenue	14,644,279	684,433	15,328,712
Total liabilities	<u>16,875,994</u>	<u>849,935</u>	<u>17,725,929</u>
Fund Balances:			
Reserved for:			
Encumbrances	202,550	82,912	285,462
Materials and supply inventory	-	4,079	4,079
Property taxes	888,649	37,930	926,579
Debt service	-	85,887	85,887
Unreserved, reported in:			
General Fund	(929,776)	-	(929,776)
Special Revenue Funds	-	1,497,300	1,497,300
Capital Projects Funds	-	464,295	464,295
Total fund balances	<u>161,423</u>	<u>2,172,403</u>	<u>2,333,826</u>
Total liabilities and fund balances	<u>\$ 17,037,417</u>	<u>3,022,338</u>	<u>20,059,755</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003

Total Governmental Fund Balances \$ 2,333,826

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 5,995,105

Other long-term assets are not available to pay for current-period
 expenditures and therefore are not reported in the funds. 644,407

Long-term liabilities, including bonds payable, are not due and
 payable in the current period and therefore are not reported
 in the funds.

General Obligation Bonds	315,000	
Compensated Absences	1,321,567	
Pension Obligation Payable	117,112	
Total		<u>(1,753,679)</u>

Net Assets of Governmental Activities \$ 7,219,659

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 13,233,482	601,030	13,834,512
Tuition and fees	128,220	22,480	150,700
Charges for services	-	418,492	418,492
Interest	79,707	-	79,707
Intergovernmental	3,339,312	1,739,630	5,078,942
Other local revenues	133,246	113,869	247,115
Total revenues	16,913,967	2,895,501	19,809,468
Expenditures:			
Current:			
Instruction:			
Regular	8,110,184	244,196	8,354,380
Special education	1,290,990	255,499	1,546,489
Other instruction	222,733	-	222,733
Support services:			
Pupil	1,175,291	66,022	1,241,313
Instructional staff	721,598	143,033	864,631
Board of Education	23,487	-	23,487
Administration	1,425,659	46,432	1,472,091
Fiscal	300,776	-	300,776
Business	103,582	-	103,582
Operation and maintenance of plant	1,598,005	-	1,598,005
Pupil transportation	839,290	6,163	845,453
Central	157,655	210,510	368,165
Non-instructional services:			
Extracurricular activities	371,553	198,645	570,198
Community service	-	157,162	157,162
Food services	-	488,590	488,590
Capital outlay	4,459	191,663	196,122
Debt Service:			
Principal	-	305,000	305,000
Interest and fiscal charges	-	25,788	25,788
Total expenditures	16,345,262	2,338,703	18,683,965
Excess of revenues over expenditures	<u>568,705</u>	<u>556,798</u>	<u>1,125,503</u>
Other financing sources (uses):			
Transfers in	-	35,000	35,000
Transfers out	(35,000)	-	(35,000)
Total other financing sources (uses):	(35,000)	35,000	-
Net change in fund balances	533,705	591,798	1,125,503
Fund balance, beginning of year, restated	(372,282)	1,580,605	1,208,323
Fund balance, end of year	\$ 161,423	2,172,403	2,333,826

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2002

Net Change in Fund Balances - Total Governmental Funds	\$	1,125,503
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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.

Capital outlay		499,207
Depreciation expense		(529,112)

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

305,000

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(284,850)

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

152,335

Change in Net Assets of Governmental Activities	\$	<u>1,268,083</u>
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ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets

Fiduciary Funds

June 30, 2003

		Private Purpose Trusts	Agency Funds	Total
ASSETS				
Equity in pooled cash and investments	\$	<u>32,923</u>	<u>47,090</u>	<u>80,013</u>
Total assets		<u><u>32,923</u></u>	<u><u>47,090</u></u>	<u><u>80,013</u></u>
LIABILITIES				
Due to student groups		<u>-</u>	<u>47,090</u>	<u>47,090</u>
Total liabilities		<u>-</u>	<u>47,090</u>	<u>47,090</u>
NET ASSETS				
Held in trust	\$	<u><u>32,923</u></u>	<u><u>-</u></u>	<u><u>32,923</u></u>

See accompanying notes to the basic financial statements.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2003

	<u>Private- Purpose Trust Funds</u>
Additions:	
Contributions and interest	\$ <u>2,052</u>
Total additions	<u>2,052</u>
Deductions:	
Community gifts, awards and scholarships	<u>3,752</u>
Total deductions	<u>3,752</u>
 Change in net assets	 (1,700)
 Net assets, beginning of year	 <u>34,623</u>
Net assets, end of year	\$ <u><u>32,923</u></u>

See accompanying notes to the basic financial statements.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Rossford Exempted Village School District (the "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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

The School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio and 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 the 1920s through the consolidation of existing land areas and school districts. The School District serves an area of approximately 27 square miles. It is located in Wood County, and includes the City of Rossford and portions of the City of Northwood and portions of Perrysburg and Lake Townships. The School District is the 265th largest in the State of Ohio (among 612 school districts) in terms of enrollment and provides services to approximately 2,100 students and other community members.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. This includes general operations, food service, and student related activities of the School District.

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

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

The following activity is included within the reporting entity:

Parochial Schools - Within the School District boundaries, All Saints Catholic elementary and junior high schools are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with six organizations, which are defined as jointly governed organizations, insurance purchasing pools, and a related organization. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Educational Council, the Penta County Joint Vocational School District, the Ohio School Boards Association Worker's Compensation Group Rating Plan, the Wood County Schools Benefit Plan, and the Rossford Public Library. These organizations are presented in Notes 12, 13, and 14 to the basic financial statements.

B. Basis of Presentation

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 statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each or governmental function is self-financing or draws from the general revenues of the School District.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

C. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

Governmental funds focus 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 only major governmental fund:

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

Fiduciary Funds report on net assets and changes in net assets. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's private-purpose trust funds account for scholarship programs for students. These assets are not available for the School District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

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

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

The modified accrual basis of accounting is used by the governmental funds and agency funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

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 except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, private-purpose trust funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied. 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 non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003 which are intended to finance fiscal year 2004 operations have been 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.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet. During fiscal year 2003, the School District's investments were limited to repurchase agreements and STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. At June 30, 2003, the fair value of investments approximates cost.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those funds individually authorized by Board resolution. Interest is allocated to these funds based on average monthly cash balance. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$79,707, of which \$42,245 was assigned from other funds.

F. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$500 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

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

Buildings and building improvements	15-30 years
Land improvements	15-30 years
Equipment and furniture other than vehicles	5-20 years
Vehicles	10 years

H. Interfund Balances

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

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

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

K. Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes and inventory.

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

L. 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 when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Estimates

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

2. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the School District implemented the following:

- GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments.*
- GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus.*
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures.*
- GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units.*
- GASB Interpretation No. 6, *Recognition and Measurements of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

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 beginning net asset amount for governmental programs reflects the change in fund balance at June 30, 2002 caused by the conversion to the accrual basis of accounting.

Fund balance - all governmental funds - June 30, 2002	\$ 1,230,730
Reclassification of internal service fund	5,014
Reclassification of enterprise funds	<u>(27,421)</u>
Restated fund balance - all governmental funds - June 30, 2002	<u>1,208,323</u>
GASB 34 adjustments:	
Capital assets	6,025,419
Full accrual revenue recognition	491,663
Long-term liabilities	<u>(1,773,829)</u>
Governmental activities net assets - June 30, 2002	<u>\$ 5,951,576</u>

3. DEPOSITS AND INVESTMENTS

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

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

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

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

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

Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the School District's deposits was \$116,875 and the bank balance was \$145,162. Of the bank balance, \$100,000 was covered by federal depository insurance and \$45,162 was uninsured and uncollateralized as defined by GASB. The securities serving as collateral were held by the pledging financial institution's trust department, but not in the School District's name, and all State statutory requirements for the deposit of money had been followed.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at 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 counter party'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 counter party, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified because it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Fair Value</u>
STAR Ohio	\$ -	1,903,927
Repurchase agreement	<u>1,672,343</u>	<u>1,672,343</u>
	<u>\$ 1,672,343</u>	<u>3,576,270</u>

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from the Wood County Auditor, who 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. Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$888,649 in the General Fund and \$37,930 in the Debt Service Fund. The assessed values upon which fiscal year 2003 taxes were collected are:

	<u>2002 Second- Half Collections</u>		<u>2003 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 252,034,830	65.11%	261,902,900	67.23%
Public Utility	11,098,690	2.87%	10,507,270	2.70%
Tangible Personal Property	<u>123,933,675</u>	32.02%	<u>117,169,455</u>	30.07%
Total Assessed Value	\$ <u>387,067,195</u>	100.00%	<u>389,579,625</u>	100.00%
 Tax rate per \$1,000 of assessed valuation		 \$48.60		 \$56.50

5. INTERFUND TRANSACTIONS

On the fund financial statements, the General Fund has a receivable of \$43,775 that consists of amounts due from nonmajor governmental funds. These interfund loans were made to provide operating capital.

During the year ended June 30, 2003, the General Fund made transfers of \$35,000 to nonmajor governmental funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

6. CAPITAL ASSETS

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

	Balance 7/1/02	Additions	Disposals	Balance 6/30/03
<i>Governmental Activities</i>				
Non-depreciable:				
Land	\$ 408,500	-	-	408,500
Depreciable:				
Land improvements	1,346,194	17,306	-	1,363,500
Buildings and improvements	9,531,447	148,087	-	9,679,534
Equipment and furniture	2,722,036	231,514	(51,886)	2,901,664
Vehicles	1,095,693	102,300	-	1,197,993
Subtotal	<u>14,695,370</u>	<u>499,207</u>	<u>(51,886)</u>	<u>15,142,691</u>
Totals at historical cost	<u>15,103,870</u>	<u>499,207</u>	<u>(51,886)</u>	<u>15,551,191</u>
Less accumulated depreciation:				
Land improvements	990,512	26,443	-	1,016,955
Buildings and improvements	5,376,332	174,794	-	5,551,126
Equipment and furniture	1,880,851	253,512	(51,477)	2,082,886
Vehicles	830,756	74,363	-	905,119
Total accumulated depreciation	<u>9,078,451</u>	<u>529,112</u>	<u>(51,477)</u>	<u>9,556,086</u>
Capital assets, net	<u>\$ 6,025,419</u>	<u>(29,905)</u>	<u>(409)</u>	<u>5,995,105</u>

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	391,788
Special		1,664
Support services:		
Pupil		1,588
Instructional staff		923
Administration		1,594
Operation and maintenance of plant		17,791
Pupil transportation		73,471
Central		25,890
Non-instructional		13,589
Extracurricular activities		814
		<hr/>
Total depreciation expense	\$	<u>529,112</u>

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with commercial carriers for property and fleet insurance, liability insurance and inland marine coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage in the last year.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

For fiscal year 2003, the School District participated in the Wood County Schools Benefit Plan, a group insurance purchasing pool (Note 13), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

8. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to SERS, 300 East Broad Street, Columbus, Ohio 43215.

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, which is currently 14% of annual covered payroll. The contribution rates are not determined actuarially, but are established by SERS' Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were approximately \$356,000, \$345,000, and \$333,000 respectively. Approximately 51% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. The current portion of the contribution for fiscal year 2003 is recorded as a liability within the respective funds and full liability is recorded on the government-wide financial statements.

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basis 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 issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

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

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation 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 approximately \$1,196,000, \$1,219,000, and \$1,149,000, respectively. Approximately 84% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003 is recorded as a liability in the respective funds.

Social Security System

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. Members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

9. POSTEMPLOYMENT BENEFITS

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

STRS 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2002, the board allocated employer contributions equal to 4.50% of covered payroll to the Health Care Reserve Fund. For the School District, this amount was approximately \$384,000 during fiscal year 2003. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.011 billion at June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRS were \$354.7 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. 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 has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the year ended June 30, 2002 were \$182.9 million and the target level was \$242.2 million. At June 30, 2002, SERS' net assets available for payment of health care benefits was \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, was approximately \$217,000 during the 2003 fiscal year.

10. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of 1.25 days per month. Sick leave may be accumulated up to a maximum of 284 days. Upon retirement, payment is made for 25% of accrued, but unused sick leave credit to a maximum of 71 days.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

11. LONG-TERM OBLIGATIONS

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

	Principal Outstanding 7/1/02	Additions	Reductions	Principal Outstanding 6/30/03	Amounts Due in One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 620,000	-	(305,000)	315,000	315,000
Pension obligation payable	146,690	117,112	(146,690)	117,112	117,112
Compensated absences	1,007,139	455,702	(69,659)	1,393,182	71,615
Total	\$ 1,773,829	572,814	(521,349)	1,825,294	503,727

School Improvement General Obligation Bonds - On January 7, 1999, the School District issued \$1,460,000 in voted general obligation bonds for the purpose of renovating, rehabilitation, adding to, acquiring, furnishing, equipping and otherwise improving school facilities and sites. The notes will be retired from the debt service fund. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003 are \$315,000 and \$6,300, respectively, in the year ending June 30, 2004.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$34,747,166 with an unvoted debt margin of \$389,580 at June 30, 2003.

12. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association

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

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Williams, Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$3,250. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Penta County Joint Vocational School District

The Penta County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the sixteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Penta County Joint Vocational School District, Carrie J. Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551.

13. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Wood County Schools Benefit Plan

The School District participates in the Wood County Schools Benefit Plan, a public entity risk pool currently operating as a common risk management and insurance program for 10 member school districts. The School District pays an annual premium to Wood County Schools Benefit Plan, for its health, dental and life insurance coverage. It is intended that the Wood County Schools Benefit Plan will be self-sustaining through member premiums and reinsures through commercial companies for excess claims.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

14. RELATED ORGANIZATION

Rossford Public Library

The Rossford Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Rossford Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Rossford Public Library, 720 Dixie Highway Road, Rossford, Ohio 43460.

15. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other 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.

Litigation

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

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2003

16. REQUIRED SET-ASIDES

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

		<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2002	\$	(116,433)	-
Current year set-aside requirement		264,258	264,258
Less qualifying disbursements and offsets		<u>(205,354)</u>	<u>(341,609)</u>
Total		<u>(57,529)</u>	<u>(77,351)</u>
 Balance carried to FY2004	 \$	 <u>(57,529)</u>	 <u>-</u>

Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, these extra amounts may be used to reduce the set aside requirements of future years. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

17. 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 system 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 on its financial operations.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund
 Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 General Fund
 Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Taxes	13,238,428	13,091,214	13,026,467	(64,747)
Tuition and fees	219,500	219,500	169,692	(49,808)
Interest	130,000	130,000	79,707	(50,293)
Intergovernmental	3,235,262	3,430,769	3,339,310	(91,459)
Other local revenues	7,000	7,000	6,777	(223)
Total revenues	<u>16,830,190</u>	<u>16,878,483</u>	<u>16,621,953</u>	<u>(256,530)</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,184,077	8,497,904	8,186,739	311,165
Special education	1,285,511	1,292,051	1,280,186	11,865
Other instruction	106,893	242,536	224,715	17,821
Support services:				
Pupil	1,297,769	1,345,948	1,257,725	88,223
Instructional staff	968,830	948,316	771,303	177,013
Board of Education	59,967	63,416	59,296	4,120
Administration	1,696,136	1,661,596	1,450,299	211,297
Fiscal	302,078	313,353	305,084	8,269
Business	135,451	123,461	107,878	15,583
Operation and maintenance of plant	1,474,167	1,714,642	1,651,696	62,946
Pupil transportation	813,144	882,694	841,117	41,577
Central	160,199	170,349	162,370	7,979
Non-instructional services:				
Extracurricular activities	393,657	396,657	362,436	34,221
Capital outlay	400	4,459	4,459	-
Total expenditures	<u>16,878,279</u>	<u>17,657,382</u>	<u>16,665,303</u>	<u>992,079</u>
Excess of revenues over (under) expenditures	(48,089)	(778,899)	(43,350)	735,549
Other financing sources (uses):				
Transfers out	(30,000)	(35,174)	(35,174)	-
Advances out	-	(43,949)	(43,878)	71
Other sources	75,000	81,344	87,171	5,827
Total other financing sources (uses):	<u>45,000</u>	<u>2,221</u>	<u>8,119</u>	<u>5,898</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	(3,089)	(776,678)	(35,231)	741,447
Fund balance, beginning of year	863,117	863,117	863,117	
Prior year encumbrances appropriated	345,512	345,512	345,512	
Fund balance, end of year	<u>1,205,540</u>	<u>431,951</u>	<u>1,173,398</u>	

See accompanying notes to required supplemental information.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Required Supplementary Information

Year Ended June 30, 2003

1. BUDGETARY PROCESS

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

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

Estimated Resources. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary schedule reflect the amounts in the final amended certificate issued during 2003.

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. The Board passed supplemental appropriations during the fiscal year.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Required Supplementary Information

Year Ended June 30, 2003

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

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

2. BUDGETARY BASIS OF ACCOUNTING

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, requires accounting for certain transactions according to cash receipts, disbursements, appropriations, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP Budgetary) Basis, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

Net change in fund balance - GAAP Basis	\$ 533,705
Increase / (decrease):	
Due to revenues	(292,014)
Due to expenditures	(87,772)
Due to other sources (uses)	43,119
Due to encumbrances	<u>(232,269)</u>
Excess of revenues and other sources over (under) expenditures and other uses - Budget Basis	\$ <u>(35,231)</u>

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Prior Audit Findings

For the Year Ended June 30, 2003

The prior audit disclosed no instances of noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over compliance with requirements that could have a direct and material effect on a major federal program were reported in the prior year.

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2003

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
(Passed through Ohio Department of Education)				
Nutrition Cluster:				
Food Distribution Program	03-PU	10.550	\$ 24,023	24,023
School Breakfast Program	05-PU	10.553	7,060	7,060
National School Lunch Program	04-PU	10.555	105,430	105,430
Total U.S. Department of Agriculture			<u>136,513</u>	<u>136,513</u>
 <u>U.S. Department of Education:</u>				
(Passed through Ohio Department of Education)				
Special Education Cluster:				
IDEA Part B	6B-SF	84.027	226,598	271,635
Preschool Grant	PG - S1	84.173	5,144	9,431
			<u>231,742</u>	<u>281,066</u>
Title I Grant	C1-S1	84.010	124,147	149,669
Safe and Drug Free Schools	DR-S1	84.186	9,456	9,456
Bie In-pilot District Deploy	G2-S9	84.276	-	28,000
Eisenhower Professional Development Grant	MS-S1	84.281	200	-
Innovative Education Program Strategy	C2-S1	84.298	2,346	8,771
Technology Literacy Challenge	TF-51	84.318	802	11,305
Improving Teacher Quality		84.367	46,463	58,923
Class Size Reduction	CR-S1	84.340	6,783	7,758
Total U.S. Department of Education			<u>421,939</u>	<u>554,948</u>
 <u>U.S. Department of Health and Human Services:</u>				
Medical Assistance Program - CAFS	n/a	93.778	14,009	14,009
Total U.S. Department of Health and Human Services			<u>14,009</u>	<u>14,009</u>
Total Federal Awards			\$ <u>572,461</u>	<u>705,470</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The 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 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed.

NOTE C - MATCHING REQUIREMENTS

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

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Rossford Exempted Village School District:

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of the Rossford Exempted Village School District as of and for the year ended June 30, 2003, and have issued our report thereon dated June 9, 2004 wherein we noted that the School District implemented Governmental Accounting Standards Board Statements 34, 37, 38, and 39 as well as Governmental Accounting Standards Board Interpretation 6. 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 Rossford Exempted Village 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 Rossford Exempted Village 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 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 management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 9, 2004

Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Rossford Exempted Village School District:

Compliance

We have audited the compliance of Rossford Exempted Village 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. Rossford Exempted Village School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 States, Local Governments, and Non-Profit Organizations*. 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 Rossford Exempted Village 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, Rossford 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 Rossford Exempted Village School District is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rossford Exempted Village 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.

This report is intended for the information of management, the Board of Education, 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 9, 2004

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2003

Section I - Summary of Auditors' Results

Financial Statements

Type of report issued on financial statements:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	none
Identification of major programs:	
<i>Special Education Cluster:</i>	
CFDA 84.027 IDEA Part B	
CFDA 84.173 Preschool Grant	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

ROSSFORD EXEMPTED VILLAGE SCHOOL DISTRICT

WOOD 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
JULY 13, 2004**