

BOWLING GREEN CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

Board of Education
Bowling Green City School District
140 South Grove Street
Bowling Green, Ohio 43402

We have reviewed the Independent Auditor's Report of the Bowling Green City School District, Wood County, prepared by Weber O'Brien, Ltd., 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 Bowling Green City School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 31, 2003

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BOWLING GREEN CITY SCHOOL DISTRICT

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BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2003

ELECTED OFFICIALS

<u>Board of Education</u>	<u>Title</u>	<u>Term of Office</u>
Thomas Milbrodt, Ph.D.	President	1/1/00 – 12/31/03
Eric Myers, Ph. D.	Vice President	1/1/02 – 12/31/05
Ellen Dalton	Member	1/1/00 – 12/31/03
Michael Aspacher	Member	1/1/02 – 12/31/05
Paul Windisch	Member	1/1/00 – 12/31/03

ADMINISTRATIVE PERSONNEL

<u>Administrative</u>	<u>Title</u>	<u>Term of Contract</u>
Hugh T. Caumartin, Jr. ¹	Superintendent	8/1/00 – 7/31/03
Rhonda Melchi ²	Treasurer	1/1/02 – 12/31/05

LEGAL COUNSEL

External:

Shumaker, Loop and Kendrick
North Courthouse Square
1000 Jackson Street
Toledo, Ohio 43624-1573

¹ Surety: Buckeye Union Insurance Company
Bond: \$5,000

² Surety: Buckeye Union Insurance Company
Bond: \$25,000

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

INDEX OF FUNDS

GOVERNMENTAL FUNDS

General Fund

Special Revenue Funds

- Emergency Levy Fund
- Public School Support Fund
- Other Local Grants Fund
- Tributes Fund
- Severance Benefits Fund (H.B. 426)
- District Managed Activity Fund
- Auxiliary Services Fund
- Teacher Development Fund
- Management Information Systems Fund
- Disadvantaged Pupil Impact Aid Fund
- Network Connectivity Fund
- Ohio School Net Professional Development Grant Fund
- OhioReads Grant Fund
- Miscellaneous State Grants Fund
- Title II Grant Fund
- Special Education, Part B IDEA Fund
- Title I – Education Consolidation Improvement Act Fund
- Title V – Innovative Programs Fund
- Title II-A Grant Fund
- Title IV-A, Drug Free Schools Grant Fund
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Debt Service Funds

- Bond Retirement Fund

Capital Projects Funds

- Permanent Improvement Fund
- School Net Plus Fund
- Power Up Technology Grant Fund

Permanent Fund

- Memorials Fund

PROPRIETARY FUNDS

Enterprise Funds

- Food Service Fund
- Uniform School Supplies Fund

(Continued)

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

INDEX OF FUNDS
(CONTINUED)

FIDUCIARY FUNDS

Agency Funds:

Student Activity Funds

District Agency Fund

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INDEPENDENT AUDITORS' REPORT

Board of Education
Bowling Green City School District
140 Grove Street
Bowling Green, OH 43402

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bowling Green City School District as of June 30, 2003, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 4, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-For State and Local Governments*, as of and for the year ended June 30, 2003.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2003 on our consideration of the Bowling Green City 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise Bowling Green City School District's basic financial statements. 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. 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.

Webster O'Brien, LTD.

November 26, 2003

BOWLING GREEN CITY SCHOOL DISTRICT

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

The Management's Discussion and Analysis is required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The purpose of this supplementary information is to provide a narrative overview of the accompanying financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

These basic financial statements include two kinds of statements that present different views of the District:

Government-wide Statements - These financial statements provide both long-term and short-term information about the District's overall financial status.

Fund Financial Statements – These statements focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional nonfinancial factors such as property tax base, current property tax laws, and student enrollment growth and facility conditions.

The Government-wide financial statements of the District fall into two categories:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, non-instructional and extracurricular activities.

BOWLING GREEN CITY SCHOOL DISTRICT

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

- **Business-type Activities** – The District operates a food service program and provides for the sale of student supplies. These activities are intended to be self-supporting.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds rather than the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

Proprietary Funds – The District uses enterprise funds to report activities for which fees are charged. These enterprise funds are the same as business-type activities, but provide more detail and additional information such as cash flows.

Fiduciary Funds – The District is the agent, or fiduciary, for various student-managed activity programs and other similar programs listed as agency funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when comparative information is available.

BOWLING GREEN CITY SCHOOL DISTRICT

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

Net Assets – The following table shows the net assets for the fiscal year end June 30, 2003:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 24,804,545	\$ 405,682	\$ 25,210,227
Capital assets, net	9,429,885	97,934	9,527,819
Total assets	34,234,430	503,616	34,738,046
Long-term obligations outstanding	5,378,441	-	5,378,441
Other liabilities	15,330,184	115,509	15,445,693
Total liabilities	20,708,625	115,509	20,824,134
Net assets			
Invested in capital assets, net of related debt	6,824,885	97,934	6,922,819
Restricted	1,484,797	-	1,484,797
Unrestricted	5,216,123	290,173	5,506,296
Total net assets	\$ 13,525,805	\$ 388,107	\$ 13,913,912

Changes in Net Assets- The following table shows the changes in net assets for the fiscal year ending June 30, 2003:

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues			
Charges for services	\$ 292,755	\$ 645,933	\$ 938,688
Operating grants	1,365,688	282,667	1,648,355
General revenues			
Property taxes	15,682,087	-	15,682,087
Unrestricted grants	8,352,440	-	8,352,440
Other	1,115,441	7,597	1,123,038
Total revenues	26,808,411	936,197	27,744,608
Expenses			
Instruction	16,298,746	-	16,298,746
Support services	9,480,724	-	9,480,724
Noninstructional	313,905	-	313,905
Extracurricular Activities	831,222	-	831,222
Capital Outlay	245,881	-	245,881
Interest and Fiscal Charges	138,570	-	138,570
Other	73,100	-	73,100
Food Service	-	964,614	964,614
Uniform School Supplies	-	43,627	43,627
Total expenses	27,382,148	1,008,241	28,390,389
Increase (decrease) in net assets	(573,737)	(72,044)	(645,781)
Beginning net assets	14,099,542	460,151	14,559,693
Ending net assets	\$ 13,525,805	\$ 388,107	\$ 13,913,912

BOWLING GREEN CITY SCHOOL DISTRICT

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

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home with an assessed value of \$100,000 and taxed at 1.0 mill would pay \$35 in taxes at the time the levy is voted in. If during the County's reappraisal the home's assessed value was increased to \$200,000 (and this increase is comparable to increases for other property owners in the neighborhood) the effective tax rate would become 0.5 mills and the owner would continue to pay \$35 in property tax. In total, the effective millage cannot be reduced below 20 mills according to state statute. This maintenance of the amount of property taxes generated coupled with the state funding method, causes school districts to regularly return to voters in order for revenues to keep pace with expenses.

Property taxes made up 58.5% of revenues for governmental activities of the Bowling Green City School District in fiscal year 2003. The following table demonstrates the District's reliance upon tax revenues:

<u>Revenue Source</u>	<u>Amount</u>	<u>% of Total</u>
General tax revenues	\$ 15,682,087	58.5%
Unrestricted grants	8,352,440	31.1%
Program revenues	1,658,443	6.2%
Other revenues	1,115,441	4.2%
Total Revenue	<u>\$ 26,808,411</u>	<u>100.0%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's Governmental Funds reported a combined fund balance of \$9,578,639. This is less than the June 30, 2002 total of \$10,127,508. The schedule below indicates the fund balance and total change in fund balance by fund type as of June 30, 2003 and 2002.

	<u>Fund Balance June 30, 2003</u>	<u>Fund Balance June 30, 2002</u>	<u>Increase (Decrease)</u>
General Fund	\$ 7,101,954	\$ 7,947,367	\$ (845,413)
Other Governmental	2,476,685	2,180,141	296,544
Total	<u>\$ 9,578,639</u>	<u>\$ 10,127,508</u>	<u>\$ (548,869)</u>

The District's General Fund balance decrease is basically due to a decrease of approximately \$460,000 in state foundation funding and reduced interest earnings while salaries increased in accordance with wage schedules and health insurance costs rose

BOWLING GREEN CITY SCHOOL DISTRICT

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

approximately ten percent. The increase in Other Governmental funds can be contributed to an increase in federal grant funding.

General Fund Budgetary Highlights

The Board approved amendments to the General Fund appropriations for increases greater than anticipated in property insurance costs and for a change in accounting for open enrollment charges that was required by the Ohio Department of Education.

Budgeted revenues were also affected by the change in accounting for open enrollment charges required by the Ohio Department of Education. The ODE deducts charges from our foundation distribution for children residing in our district but attending a neighboring district. Conversely, the ODE credits our District foundation distribution for children residing in a neighboring district but attending our District. Prior to 2003, only the net effect of these charges and credits were recorded. During 2003, ODE determined that districts should record the charges as expenditures and the credits as revenues.

Budgeted revenues were also increased by the Wood County Budget Commission for increased tax collections as a result of new construction and higher tangible personal property valuations.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS ADMINISTRATION

Capital Assets

At June 30, 2003, the District had net capital assets in the amount of \$9,527,819 invested in land, buildings and improvements, furniture and equipment, and vehicles. The district owns no infrastructure. The following table presents comparative balances for fiscal years 2003 and 2002:

	Governmental Activities		Business-type Activities		Total		Total
	2003	2002	2003	2002	2003	2002	Increase (Decrease)
Land	\$ 289,510	\$ 289,510	\$ -	\$ -	\$ 289,510	\$ 289,510	\$ -
Buildings & Improvements	14,500,625	14,333,168	-	-	14,500,625	14,333,168	167,457
Furniture & Equipment	3,959,385	3,994,945	307,893	294,643	4,267,278	4,289,588	(22,310)
Vehicles	1,565,847	1,542,785	-	-	1,565,847	1,542,785	23,062
Accumulated depreciation	(10,885,482)	(10,448,789)	(209,959)	(199,687)	(11,095,441)	(10,648,476)	(446,965)
Net Capital Assets	<u>\$ 9,429,885</u>	<u>\$ 9,711,619</u>	<u>\$ 97,934</u>	<u>\$ 94,956</u>	<u>\$ 9,527,819</u>	<u>\$ 9,806,575</u>	<u>\$ (278,756)</u>

Long-term Obligations

At June 30, 2003, the District had long-term liabilities totaling \$5,378,441. These are comprised of \$2,605,000 in outstanding general obligation bonds with \$285,000 due

BOWLING GREEN CITY SCHOOL DISTRICT

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

within one year and probable payments for compensated absences in the amount of \$2,773,441.

Under current state statutes, the District's debt issues are subject to a legal limitation of 9% of the total assessed value of real and personal property. At June 30, 2003, the District's outstanding debt was well below the legal limit.

ECONOMIC FACTORS

Because of the depressed economy, the District collected school district income taxes below what was collected two years ago. Interest earnings have also steeply declined over the last two years.

As mentioned previously, the District has seen a decrease in its state foundation funding. In fact, beginning with fiscal year 2002, the District has experienced a cumulative decrease of approximately \$1.2 million in state foundation funding. This decrease is generally due to the increase in the District's property values which results in a phenomenon known as "phantom revenue" in the foundation funding program. Several court decisions have been issued as a result of the school funding cases filed against the State. The Supreme Court relinquished jurisdiction over the case in late 2002 and directed the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient. It is unknown what effect, if any, this decision will have on future funding the District receives from the State.

On May 6, 2003 the voters of the District passed a 3.8 mill continuing operating levy. This levy will become effective January 1, 2004 and will annually produce slightly less than \$2.1 million. The passage of this levy should enable the District to continue its current programming through fiscal year 2006 without additional tax revenues.

The Board of Education and the Administration of the Bowling Green City School District have committed themselves to providing a sound educational program for the citizens of the District while maintaining fiscal integrity.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Inquiries about this report may be directed to Rhonda Melchi, Treasurer, Bowling Green City School District, 140 South Grove Street, Bowling Green, Ohio 43402.

Bowling Green City School District, Wood County
Statement of Net Assets
As of June 30, 2003

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 6,045,041	\$ 331,419	\$ 6,376,460
Investments	4,081,635	-	4,081,635
Receivables			
Taxes - Current	14,450,503	-	14,450,503
Accounts	5,366	30,386	35,752
Accrued Interest	47,240	-	47,240
Intergovernmental	11,565	-	11,565
Materials & Supplies Inventory	44,693	43,719	88,412
Prepaid Items	118,502	158	118,660
Capital Assets, Net	9,429,885	97,934	9,527,819
Total Assets	<u>34,234,430</u>	<u>503,616</u>	<u>34,738,046</u>
Liabilities			
Accounts Payable	68,854	19	68,873
Accrued Wages and Benefits	2,134,342	30,611	2,164,953
Intergovernmental Payables	576,732	36,248	612,980
Deferred Revenue	12,550,256	15,192	12,565,448
Long-Term Liabilities			
Due within One Year	363,408	-	363,408
Due in More Than One Year	5,015,033	33,439	5,048,472
Total Liabilities	<u>20,708,625</u>	<u>115,509</u>	<u>20,824,134</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	6,824,885	97,934	6,922,819
Restricted for:			
Debt Service	235,455	-	235,455
Capital Projects	820,469	-	820,469
Other Purposes	428,873	-	428,873
Unrestricted/Undesignated	5,216,123	290,173	5,506,296
Total Net Assets	<u>\$ 13,525,805</u>	<u>\$ 388,107</u>	<u>\$ 13,913,912</u>

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction	\$ 16,298,746	\$ -	\$ 635,242	\$ (15,663,504)	\$ -	\$ (15,663,504)
Support Services	9,480,724	9,608	407,631	(9,063,485)	-	(9,063,485)
Non-instructional	313,905	-	322,815	8,910	-	8,910
Extracurricular Activities	831,222	283,147	-	(548,075)	-	(548,075)
Capital Outlay	245,881	-	-	(245,881)	-	(245,881)
Interest and Fiscal Charges	138,570	-	-	(138,570)	-	(138,570)
Miscellaneous	73,100	-	-	(73,100)	-	(73,100)
Total Governmental Activities	27,382,148	292,755	1,365,688	(25,723,705)	-	(25,723,705)
Business-Type Activities						
Food Service	964,614	604,473	282,667	-	(77,474)	(77,474)
Uniform School Supplies	43,627	41,460	-	-	(2,167)	(2,167)
Total Business-Type Activities	1,008,241	645,933	282,667	-	(79,641)	(79,641)
Totals	28,390,389	938,688	1,648,355	(25,723,705)	(79,641)	(25,803,346)
General Revenues						
Property Taxes Levied for:						
General Purposes				14,879,647	-	14,879,647
Debt Service				351,027	-	351,027
Capital Outlay				451,413	-	451,413
Grants & Entitlements not Restricted to Specific Programs				8,352,440	-	8,352,440
Payment in Lieu of Taxes				397,357	-	397,357
Investment Earnings				259,473	6,009	265,482
Miscellaneous				458,611	1,588	460,199
Total General Revenues				25,149,968	7,597	25,157,565
Change in Net Assets				(573,737)	(72,044)	(645,781)
Net Assets Beginning of Year				14,099,542	460,151	14,559,693
Net Assets End of Year				\$ 13,525,805	\$ 388,107	\$ 13,913,912

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
 Balance Sheet
 Governmental Funds
 As of June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 3,975,075	\$ 2,069,966	\$ 6,045,041
Investments:			
With fiscal agents	3,627,761	453,874	4,081,635
Receivables:			
Taxes	13,642,201	808,302	14,450,503
Accounts	5,366	-	5,366
Intergovernmental	-	11,565	11,565
Accrued interest	47,052	188	47,240
Materials and supplies inventory	44,693	-	44,693
Prepaid items	118,502	-	118,502
Total assets	<u>\$ 21,460,650</u>	<u>\$ 3,343,895</u>	<u>\$ 24,804,545</u>
Liabilities:			
Accounts payable	\$ 41,887	\$ 26,967	\$ 68,854
Accrued wages and benefits	2,069,904	64,438	2,134,342
Compensated absences payable	58,155	20,253	78,408
Intergovernmental payable	385,193	8,853	394,046
Deferred revenue	11,803,557	746,699	12,550,256
Total liabilities	<u>14,358,696</u>	<u>867,210</u>	<u>15,225,906</u>
Fund Balances:			
Reserved for encumbrances	96,881	337,230	434,111
Reserved for inventory	44,693	-	44,693
Reserved for prepaid items	118,502	-	118,502
Reserved for debt service principal	-	235,455	235,455
Reserved for contributions	-	47,172	47,172
Unreserved, undesignated	6,841,878	1,856,828	8,698,706
Total Fund Balances	<u>7,101,954</u>	<u>2,476,685</u>	<u>9,578,639</u>
Total Liabilities and Fund Balances	<u>\$ 21,460,650</u>	<u>\$ 3,343,895</u>	<u>\$ 24,804,545</u>

The notes to the financial statements are an integral part of this statement.

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

Total Governmental Fund Balances	\$	9,578,639
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*Amounts reported for governmental activities in the
statement of net assets are different because*

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds		9,429,885
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		<u>(5,482,719)</u>
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Net Assets of Governmental Activities	\$	<u><u>13,525,805</u></u>
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Bowling Green City School District, Wood County
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For Fiscal Year Ending June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 14,879,647	\$ 802,440	\$ 15,682,087
Intergovernmental	8,189,525	1,528,603	9,718,128
Interest	257,286	2,187	259,473
Tuition and fees	267,479	-	267,479
Extracurricular activities	-	223,080	223,080
Gifts and donations	-	4,063	4,063
Charges for services	9,608	-	9,608
Miscellaneous	105,586	466,290	571,876
Total Revenues	23,709,131	3,026,663	26,735,794
Expenditures:			
Current:			
Instruction	15,395,709	877,313	16,273,022
Support services	8,672,183	616,455	9,288,638
Non-instructional services	3,661	337,482	341,143
Extracurricular activities	540,505	293,130	833,635
Capital outlay	2,067	145,603	147,670
Debt service	-	458,570	458,570
Total expenditures	24,614,125	2,728,553	27,342,678
Excess (deficiency) of revenues over expenditures	(904,994)	298,110	(606,884)
Other financing sources (uses)			
Operating transfers in	-	12,736	12,736
Operating transfers (out)	(12,736)	-	(12,736)
Proceeds from sale of fixed assets	389	-	389
Other financing sources	71,928	300	72,228
Other financing (uses)	-	(14,602)	(14,602)
Total other financing sources (uses)	59,581	(1,566)	58,015
Net Change in Fund Balances	(845,413)	296,544	(548,869)
Fund balance July 1	7,947,367	2,180,141	10,127,508
Fund balance June 30	\$ 7,101,954	\$ 2,476,685	\$ 9,578,639

The notes to the financial statements are an integral part of this statement.

*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ending June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds S (548,869)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (281,734)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities. 320,000

Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (63,134)

Change in Net Assets of Governmental Activities S (573,737)

Bowling Green City School District, Wood County
Statement of Net Assets
Proprietary Funds
As of June 30, 2003

	Business-Type Activities- <u>Enterprise Funds</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 331,419
Receivables (net of allowances for uncollectibles)	
Accounts	30,386
Materials and Supplies Inventory	43,719
Prepaid Items	158
Total Current Assets	405,682
Capital Assets, Net	97,934
Total Assets	503,616
Liabilities:	
Current Liabilities:	
Accounts Payable	19
Accrued Wages and Benefits	30,611
Intergovernmental Payable	36,248
Deferred Revenue	15,192
Total Current Liabilities	82,070
Compensated Absences Payable	33,439
Total Liabilities	115,509
Net Assets	
Invested in Capital Assets	97,934
Unrestricted	290,173
Total Net Assets	\$ 388,107

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For Year Ending June 30, 2003

	Business-Type Activities- <u>Enterprise Funds</u>
Operating revenues:	
Sales	\$ 645,933
Contributions and donations	376
Total operating revenues	646,309
 Operating expenses:	
Salaries and wages	377,027
Fringe benefits	116,904
Purchased services	15,121
Materials and supplies	414,850
Cost of sales	72,488
Depreciation	10,272
Other operating expenses	1,579
Total operating expenses	1,008,241
Operating income (loss)	(361,932)
 Nonoperating revenues (expenses):	
Interest revenue	6,009
Other nonoperating revenue	1,212
Federal and state subsidies	210,179
Federal donated commodities	72,488
Total nonoperating revenues (expenses)	289,888
Change in net assets	(72,044)
 Net Assets at July 1	 460,151
 Net assets at June 30	 \$ 388,107

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Cash Flows
Proprietary Funds
For Year Ended June 30, 2003

	Business-Type Activities- Enterprise Funds
Cash flows from operating activities:	
Cash received from sales	\$ 645,933
Cash received from other revenues	376
Cash payments for employee services	(345,244)
Cash payments for employee benefits	(123,241)
Cash payments for contract services	(15,121)
Cash payments for supplies and materials	(424,677)
Cash payments for other expenses	(1,724)
Net cash provided by (used for) operating activities	(263,698)
Cash flows from noncapital financing activities:	
Federal and state subsidies	206,569
Other non-operating income	1,212
Net cash provided by noncapital financing activities	207,781
Cash flows from investing activities:	
Interest on investments	6,009
Net cash provided by investing activities	6,009
Cash flows from capital and related financing activities:	
Acquisition/Disposition of capital assets	(13,250)
Net cash used for capital and related financing activities	(13,250)
Net increase (decrease) in cash and cash equivalents	(63,158)
Cash and cash equivalents at beginning of year	394,577
Cash and cash equivalents at end of year	331,419
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating loss	(361,932)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Depreciation	10,272
Other adjustments to non-operating income	72,488
Changes in assets and liabilities:	
Materials and Supplies inventory	(10,927)
Prepayments	(145)
Accounts payable	(366)
Accrued wages and benefits	(1,880)
Compensated absences payable	33,439
Intergovernmental payable	(6,113)
Deferred revenue	1,466
Net cash provided by (used for) operating activities	\$ (263,698)

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Net Assets
Fiduciary Funds
As of June 30, 2003

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ 67,311
Total assets	67,311
Liabilities:	
Accounts Payable	492
Due to Students	63,518
Intergovernmental payable	1,001
Other current liabilities	2,300
Total Liabilities	67,311
Net Assets	\$ -

The notes to the financial statements are an integral part of this statement.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 1- DESCRIPTION OF THE SCHOOL DISTRICT

Bowling Green City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.02, Ohio Revised Code. The District operates under an elected five member Board of Education and is responsible for provision of public education to residents of the District. The District is located in Wood County in northwest Ohio. Its boundaries include all of the City of Bowling Green and portions of surrounding townships.

Average daily membership (ADM) as of October, 2002 was 3141.24. The District's average employment was 251 certificated employees and 118 non-certificated employees. In addition, the District employed numerous substitute employees to cover the duties of absent employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The financial statements of the reporting entity include those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organization:

Penta County Joint Vocational School District

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District. One member of the Bowling Green City Board of Education serves as a member of the Penta County Joint Vocational School District.

The District also participates in two insurance group purchasing pools, described in Note 13.

Non-public Schools

Non-public schools located within the District boundaries include: St. Aloysius and St. Louis Elementary Schools, the Montessori School of Bowling Green, Bowling Green Christian Academy and Plan, Do and Talk Primary. These non-public schools are operated independently of the District. The District receives and disburses auxiliary services money from the State for support of these non-public schools as directed by these non-public schools. The receipt and expenditure of these auxiliary services monies are accounted for by the District and are reflected in a Special Revenue Fund for financial reporting purposes, but the non-public schools' operations are not reflected in the accompanying financial statements.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following is the District's major Governmental Fund:

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

PROPRIETARY FUNDS

Proprietary Funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the Proprietary Funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The following are the District's Proprietary Funds:

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's only Fiduciary Funds are Agency Funds that are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which Governmental Fund financial statements are prepared. Governmental Fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds.

The government-wide statement of activities presents direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of Governmental Fund 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. Enterprise funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. 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 Funds are accounted for using a current financial resources measurement focus. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's enterprise funds are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets, liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by the Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined while "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 District is sixty days after the June 30 year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, student fees, and property and income taxes.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenues on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for 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, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2004 operations, have been recorded as deferred revenue.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, Proprietary Funds and the Fiduciary Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary Funds receive no revenue from property taxes.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds while only major Governmental Funds are required to be reported in these financial statements. The specific timetable for fiscal year 2003 is as follows:

1. Prior to January 15 of the preceding fiscal year, the Superintendent and Treasurer submit to the Board of Education a proposed tax 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted tax budget is filed with the Wood County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the Amended Official Certificate of Estimated Resources and the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. While the District uses an expenditure account coding system consisting of a minimum of fund number, a four digit function, and a three digit object, the Board adopted appropriation is at the fund and first digit of function level of expenditures for the General Fund and at the fund level for all other district funds. These are considered the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations 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.
5. Any revisions that alter the total of any fund appropriation or alter first digit function appropriations within the General Fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets (Continued)

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, first digit function level for the General fund and the fund level for all other funds.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Funds, encumbrances outstanding at year-end appear as a reserve to the fund balance on the balance sheet and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a table summarizing the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the major Governmental Fund.

F. Cash and Investments

Cash received by the District is deposited in a central bank account with individual fund balance integrity maintained. Monies for all funds are maintained in this account or temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired by the District) which are stated at cost. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings are credited to the General Fund except those specified according to Board Resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest revenue credited to the General fund during fiscal year 2003 amounted to \$257,286 while interest in the amount of \$8,196 was credited to other District funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations.

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

For purposes of the combined statement of cash flows and for presentation on the balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time of purchase by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year end is provided in Note 5.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

Inventories for all Governmental Funds are valued at cost (first-in/first out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary Funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

H. Prepays

Prepayments for Governmental Funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period-end, because prepayment is not available to finance future Governmental Fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

I. Capital Assets and Depreciation

Property, Plant and Equipment – Governmental Activities

Capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the Governmental Funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than five years.

Donated capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by an appraisal company who specializes in this area.

Depreciation

All capital assets, except for land, are depreciated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings and Improvements	20-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	5-10

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences is attributable to services already rendered and is not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

For Governmental Funds, that portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable" on the balance sheet. In the Government-wide statement of net assets, the "Compensated Absences Payable" is recorded in the "Due within one year" liability account with the long-term portion of accumulated absences recorded in the "Due in more than one year" liability account.

L. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of Governmental Funds. In the Government-wide statement of net assets, the current portion of general obligation bonds is recorded in the "Due within one year" liability account with the long-term portion of these general obligation bonds recorded in the "Due in more than one year" liability account.

M. Reservations of Fund Balance

Reserved fund balances indicate that portion of fund balance which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, debt service, prepaids, and as revenue unavailable for appropriation. The unreserved portions of fund balances reflected for the Governmental Funds are available for use within the specific purposes of those funds.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

During the course of normal operations, transactions occur between funds. The most significant include:

1. Routine transfers of resources from one fund to another through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as an expenditure/expense in the reimbursing fund and a reduction of expenditure/ expense in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

Interfund operating transfers are eliminated on the Government-wide statements.

O. Estimates

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

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

The Governmental Funds balance sheet includes a reconciliation between fund balance – total Governmental Funds and Net Assets of Governmental Funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Long-term liabilities not reported in the funds:

SERS Payable	\$ (152,232)
SERS Surcharge	(30,454)
Bonds Payable	(2,605,000)
Compensated absences	<u>(2,695,033)</u>
	<u>\$ (5,482,719)</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The Governmental Fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total Governmental Funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

Amount by which depreciation exceeds capital outlay in the current period:

Capital Outlay	\$ 464,656
Depreciation Expense	<u>(746,390)</u>
	<u><u>\$ (281,734)</u></u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	\$ (29,949)
Increase in Long-term Pension Liability	<u>(33,185)</u>
	<u><u>\$ (63,134)</u></u>

NOTE 4 - CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2003, the District has implemented GASB Statement No. 34 "Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”; GASB Statement No. 37 "Basic Financial Statements for State and Local Governments: Omnibus”; GASB Statement No. 38 "Certain Financial Statement Note Disclosures”; and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38, or Interpretation No. 6.

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

The government-wide financial statements present the District’s programs as governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for Governmental Funds at June 30, 2002 caused by the conversion to the accrual basis of accounting.

B. Restatement of Fund Balance

The changes to the beginning fund balance, as well as the transition from fund balance to net assets of the governmental activities are as follows:

	Governmental <u>Activities</u>	Non-expendable <u>Trust Funds</u>
Fund Balance June 30, 2002	<u>\$10,077,874</u>	<u>\$ 49,634</u>
Reclassified funds from Non-expendable Trust Funds to Special Revenue Funds	<u>49,634</u>	<u>(49,634)</u>
Total Prior Period Adjustments	49,634	(49,634)
GASB 34 Adjustments:		
Capital Assets (net)	9,711,619	-
SERS and SERS Surcharge	(149,501)	-
Long-term liabilities	<u>(5,590,084)</u>	<u>-</u>
Net Assets, June 30, 2002	<u><u>\$14,099,542</u></u>	<u><u>\$ -</u></u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 5 – EQUITY IN POOLED CASH AND INVESTMENTS

State statutes require the classification of monies held by the District into three categories:

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

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

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

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

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 any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's 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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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. Historically, the District has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Cash on Hand At year-end the District had \$615 in undeposited cash on hand which is included on the balance sheet of the District as part of "cash and cash equivalents".

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

Deposits: At year end, the carrying amount of the District's deposits was \$9,229,942 and the bank balance was \$9,844,255. Of the entire bank balance, \$247,550 was covered by federal depository insurance, \$0 was insured by surety company bonds, and \$9,596,705 was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities and obligations of the other states.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

	<u>Category 1</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Value</u>
Federal Agency Securities	\$1,000,000		\$1,000,000	\$1,001,885
Not subject to categorization:				
Investment in State				
Treasurer's Investment Pool			<u>294,849</u>	<u>294,849</u>
Total Investments			<u>\$1,294,849</u>	<u>\$1,296,734</u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

	Total Cash and Cash Equivalent	
	<u>Deposits</u>	<u>Investments</u>
Per GASB Statement No. 9	\$6,443,771	\$4,081,635
Reclassifications:		
State Treasurer's Investment Pool	(294,849)	294,849
Certificates of Deposit	3,081,635	(3,081,635)
Less Cash on Hand	(615)	
Carrying amount per GASB Statement 3	\$9,229,942	\$1,294,849
Classification in Statements of Net Assets:		
Government Wide - Unrestricted	\$6,376,460	\$4,081,635
Fiduciary Funds - Unrestricted	67,311	-
	\$6,443,771	\$4,081,635

NOTE 6 – TAXES

A. Property Tax

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments for 2003 are 25% of true value for equipment and machinery and 23% of inventory property. The assessed value upon which the 2003 taxes were collected was \$546,751,185. Agricultural/Residential, public utility and mineral real estate represented 59% or \$323,495,550 of this total; Commercial & Industrial real estate represented 27% or \$147,374,490; public utility tangible 2% or \$10,107,880; and general tangible property 12% or \$65,773,265. The voted general tax rate for operations at the fiscal year ended June 30, 2003, was \$42.40 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$.70 per \$1,000.00 of assessed valuation; and the voted rate for permanent improvements was \$1.20 per \$1,000.00 of assessed valuation.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 6 – TAXES (Continued)

A. Property Tax (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Wood County Treasurer collects property tax on behalf of the District. The Wood County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable, in accordance with GASB 33, as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

B. School District Income Tax

The District levies an income tax of 0.5% on the gross salaries, wages and other personal service compensation earned by residents of the School District. All the revenue received from income tax is recorded directly into the General Fund.

NOTE 7 - CAPITAL ASSETS

The following is a summary by category of changes in governmental activities capital assets at June 30, 2003:

Historical Cost:

<u>Asset Category</u>	Restated Balance at <u>7/1/02</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/03</u>
Land	\$ 289,510	\$ 0	\$ 0	\$ 289,510
Buildings & Improvements	14,333,168	167,457	0	14,500,625
Furniture/Equipment	3,994,945	217,339	252,899	3,959,385
Vehicles	1,542,785	138,358	115,296	1,565,847
Total General Fixed Assets	<u>\$ 20,160,408</u>	<u>\$ 523,154</u>	<u>\$ 368,195</u>	<u>\$ 20,315,367</u>

Accumulated Depreciation:

<u>Asset Category</u>	Restated Balance at <u>7/1/02</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/03</u>
Buildings & Improvements	7,696,760	264,122	0	7,960,882
Furniture/Equipment	2,092,672	359,652	214,187	2,238,137
Vehicles	659,357	122,616	95,510	686,463
Total General Fixed Assets	<u>\$ 10,448,789</u>	<u>\$ 746,390</u>	<u>* \$ 309,697</u>	<u>\$ 10,885,482</u>

<i>Net Capital Assets:</i>	<u>\$ 9,711,619</u>	<u>\$ (223,236)</u>	<u>\$ 58,498</u>	<u>\$ 9,429,885</u>
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BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 7 - CAPITAL ASSETS (Continued)

* Depreciation expenses were charged to governmental functions as follow:

Instruction	\$ 37,987
Support Services	457,202
Non-instructional Services	5,154
Extracurricular Activities	2,233
Capital Outlay	<u>243,814</u>
Total Depreciation Expense	<u>\$746,390</u>

A summary of the Proprietary Capital Assets at June 30, 2003, follows:

Furniture and Equipment	\$307,893
Less: Accumulated Depreciation	<u>(209,959)</u>
Net Fixed Assets	<u>\$ 97,934</u>

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (tuition and student fees), accrued interest, and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

NOTE 9 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2003, consisted of the following, as reported on the fund statement:

Transfers from general fund to nonmajor governmental funds	\$ 12,736
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Transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in accordance with budgetary authorizations.

NOTE 10 - LONG-TERM DEBT

All current bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment.

A. The following is a description of the Bowling Green City School District bonds outstanding as of June 30, 2003:

	Interest Rate	Issue Date	Maturity Date	Bonds Outstanding At 7/1/02	New Issues During 2003	Retired In 2003	Bonds Outstanding At 6/30/03
1995 Refunding Building Improvements	4.5- 5.7%	6/8/1995	12/1/2011	\$2,887,131	\$-0-	\$282,131	\$2,605,000

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 10 - LONG-TERM DEBT (Continued)

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

<u>Year Ending June 30</u>	<u>Principal on General Obligation</u>	<u>Interest on General Obligation</u>	<u>Total</u>
2004	\$285,000	\$131,516	\$416,516
2005	285,000	117,266	402,266
2006	290,000	102,602	392,602
2007	290,000	87,595	377,595
2008	290,000	72,370	362,370
2009-2012	<u>1,165,000</u>	<u>132,358</u>	<u>1,297,358</u>
Total	<u>\$2,605,000</u>	<u>\$643,707</u>	<u>\$3,248,707</u>

C. During the year ended June 30, 2003 the following changes occurred in Governmental Activities long-term liabilities:

<i>Governmental Activities:</i>	<u>Balance at 7/1/02</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 6/30/03</u>
Compensated Absences:				
Sick leave (severance)	\$2,476,723	\$840,206	\$736,051	\$2,580,878
Vacation	188,361	160,828	156,626	192,563
General Obligation Bonds	<u>2,887,131</u>	-	<u>282,131</u>	<u>2,605,000</u>
Total	<u>\$5,552,215</u>	<u>\$1,001,034</u>	<u>\$1,174,808</u>	<u>\$5,378,441</u>

NOTE 11- FUND BALANCE DEFICITS

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

<u>Special Revenue</u>	<u>GAAP Basis</u>
Part B IDEA	\$(28,741)
Title V	(2,051)

These funds complied with Ohio statute, which does not permit a cash basis deficit at year-end. The GAAP-basis deficits in each fund will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for the operations of Food Services and Uniform School Supplies. The table below reflects, in a summarized format, the more significant data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2003:

	Food Service	Uniform School Supplies	<u>Total</u>
Operating Revenues	\$604,849	\$41,460	\$646,309
Depreciation	10,272	-	10,272
Operating Income (Loss)	(359,765)	(2,167)	(361,932)
Operating Grants	210,179	-	210,179
Net Income (Loss)	(70,939)	(1,105)	(72,044)
Net Working Capital	282,214	7,959	290,173
Total Assets	495,657	7,959	503,616
Total Liabilities	115,509	-	115,509
Total Fund Equity	\$380,148	\$7,959	\$388,107

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, general liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Real property and contents have a liability limit of \$68,948,000 with 90% co-insurance.

The District's fleet insurance policy has a liability limit of \$1,000,000 each occurrence.

The District has liability insurance coverage limits of \$3,000,000 each occurrence and \$5,000,000 annual aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last year.

Wood County Schools Health Insurance Consortium

The Wood County Schools Health Insurance Consortium (the Consortium) is a public entity shared risk pool consisting of six local school districts, three city or exempted village school districts, one vocational school district, and an educational service center. The Consortium is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the Consortium.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information may be obtained from Sharon Gillespie, Medical Mutual of Ohio, 3737 Sylvania Avenue, Toledo, Ohio 43623.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 13 - RISK MANAGEMENT (continued)

OASBO Worker's Compensation Group Rating

The District participates in the Ohio Association of School Business Officials' Worker's Compensation Group Rating Plan, an insurance purchasing pool. This Group Rating Plan allows school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. Each year the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and Bowling Green City School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2003, 2002, and 2001 were \$466,812, \$460,884, and \$460,068, respectively. As of June 30, 2003, forty-four percent has been contributed for fiscal year 2003 and one hundred percent for fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003 of \$299,383 is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death, and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 9.5% funded pensions while 4.5% of covered payroll contributions was allocated to the Health Care Stabilization Fund. Effective July 1, 2002 the percentage allocated to this fund will be reduced to 1 percent.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,914,144, \$1,842,688, and \$1,668,200, respectively. As of June 30, 2003, eighty-three percent has been contributed for fiscal year 2003 and one hundred percent for fiscal years 2002 and 2001. The unpaid contributions of \$317,932 for fiscal year 2003 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

For STRS, most benefit recipients are required to pay a portion of health care costs 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 percent of covered payroll. The board allocated employer contributions equal to 1.0% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits were paid for fiscal year ended June 30, 2003. For the District, this amount equaled \$134,665 during the 2003 fiscal year. As of June 30, 2002 (the latest information available), eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002 net health care costs paid by STRS were \$354,697,000.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2003 the allocation rate was 5.83 percent, a decrease from 8.54 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established as \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003 SERS' net assets available for payment of health care benefits was \$303.6 million, with approximately 50,000 participants receiving health care benefits. The portion of the District's contributions used to fund postemployment benefits was \$217,508 for the fiscal year ending June 30, 2003.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 16 - OTHER EMPLOYEE BENEFITS - DEFERRED COMPENSATION PLANS

The District employees may participate in the Ohio Public Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The plan Agreement states that the District and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

NOTE 17 - SET-ASIDES

The Ohio Legislature has passed H.B. 412 which requires school districts to “set aside” money from the General Fund for three purposes: textbooks and materials, capital acquisition, and budget stabilization. Subsequently, Am. Sub. Senate Bill 345, effective April 10, 2001, eliminated the requirement for the budget reserve set-aside. The District’s requirements for fiscal year 2003 and the balances to be carried forward at year-end are presented below:

	Textbooks & Materials	Capital Acquisition	Budget Stabilization
Set-aside Cash Balance as of July 1, 2002	(\$1,398,576)	\$ -0-	\$67,227
Current Year Set-aside Requirement	417,761	417,761	-0-
Current Year Offsets	-0-	507,646	-0-
Qualifying Disbursements	825,722	-0-	67,227
Total	<u>(1,806,536)</u>	<u>(89,885)</u>	<u>-0-</u>
Cash Balance Carried Forward to FY 2004	<u>(1,806,536)</u>	<u>-0-</u>	<u>-0-</u>
Amount Restricted for Budget Stabilization			<u>-0-</u>

Beginning with fiscal year ended June 30, 2000, expenditures in excess of current year or accumulated set-aside requirements in the Textbooks and Materials Set-aside were permitted to be carried forward to offset future years’ textbooks and materials set-aside requirements. Although the District had off-sets and qualifying disbursements during the year that reduced the set-aside amounts below zero for Capital Acquisition purposes, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the Capital Acquisition Set-aside. Senate Bill 345 places special conditions on any Bureau of Workers’ Compensation (BWC) monies remaining in the budget reserve set aside as of April 10, 2001. These funds may be used solely for specified purposes.

NOTE 18 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

B. Litigation

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 18 - CONTINGENT LIABILITIES (Continued)

C. School Funding Decision

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

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

Bowling Green City School District, Wood County
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget to Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
From local sources:				
Taxes	\$ 14,878,567	\$ 15,205,039	\$ 15,028,203	\$ (176,836)
Intergovernmental	8,293,507	8,188,716	8,189,525	809
Interest	235,312	235,312	265,837	30,525
Tuition and fees	-	251,100	263,739	12,639
Charges for services	-	-	6,474	6,474
Miscellaneous	79,000	86,122	105,160	19,038
Total revenues	<u>23,486,386</u>	<u>23,966,289</u>	<u>23,858,938</u>	<u>(107,351)</u>
Expenditures:				
Current:				
Instruction	15,581,174	15,470,374	15,384,189	86,185
Support services	9,011,560	9,161,923	8,745,767	416,156
Non-instructional services	5,775	5,775	3,661	2,114
Extracurricular activities	562,240	562,240	540,252	21,988
Capital outlay	3,500	3,500	1,900	1,600
Total expenditures	<u>25,164,249</u>	<u>25,203,812</u>	<u>24,675,769</u>	<u>528,043</u>
Excess (deficiency) of revenues over (under) expenditures	(1,677,863)	(1,237,523)	(816,831)	420,692
Other financing sources (uses):				
Operating transfers (out)	(15,000)	(15,000)	(12,736)	2,264
Advances in	835	835	835	-
Proceeds of sale of fixed assets	-	-	620	620
Refund of prior years expenditures	-	35,445	71,928	36,483
Total other financing sources (uses)	<u>(14,165)</u>	<u>21,280</u>	<u>60,647</u>	<u>39,367</u>
Net Change in Fund Balances	(1,692,028)	(1,216,243)	(756,184)	460,059
Fund balance, July 1	7,917,008	7,917,008	7,917,008	-
Prior year encumbrances appropriated	325,855	325,855	325,855	-
Fund balance, June 30	<u>\$ 6,550,835</u>	<u>\$ 7,026,620</u>	<u>\$ 7,486,679</u>	<u>\$ 460,059</u>

Note:

While reporting financial position and changes in financial position/fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund are as follows:

<u>Net Change in Fund Balances</u>	
	<u>General</u>
Budget Basis	\$ (756,184)
Net adjustment for revenue accruals	(149,807)
Net adjustment for expenditure accruals	(54,426)
Net adjustment for other	
Financing sources (uses)	(1,066)
Adjustment for encumbrances	116,070
GAAP Basis	<u>\$ (845,413)</u>

BOWLING GREEN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2003

<u>Federal Grantor/Pass – Through Grantor Program Titles</u>	<u>Project Number</u>	<u>CFDA Number</u>	<u>Program Award Amount</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Pass through Ohio Department of Education:					
Title I Targeted Assistance	43638C1-S1-02	84.010	\$261,467	\$ 55	\$ 55
	43638C1-S1-03	84.010	<u>332,866</u>	<u>316,865</u>	<u>268,499</u>
			594,333	316,920	268,554
Title V Innovative Programs	43638C2-S1-02	84.151	19,214	-	632
	43638C2-S1-03	84.151	<u>20,231</u>	<u>19,771</u>	<u>18,730</u>
			39,445	19,771	19,362
Special Education Part B - IDEA	436386B-SX02P	84.027	28,500	19,950	26,298
	436386B-SF02P	84.027	289,347	1,154	18,911
	436386B-SF03P	84.027	<u>372,265</u>	<u>372,265</u>	<u>354,765</u>
			690,112	393,369	399,974
Eisenhower Grant/Title II	43638MS-S1-02	84.281	17,130	1,504	6,501
	43638MS-S1-01	84.281	<u>13,199</u>	-	<u>2,591</u>
			30,239	1,504	9,092
Title IV -- Safe and Drug Free Schools	43638DR-S1-02	84.186	13,346	-	468
	43638DR-S1-03	84.186	<u>19,058</u>	<u>18,418</u>	<u>18,308</u>
			32,404	18,418	18,776
Title II-D Technology	43638TJ-S1-03	84.318	9,114	4,745	1,032
Assistive Technology	43638AT-S2-02	84.352A	37,384	13,497	13,497
	43638AT-S3-02	84.352A	<u>7,071</u>	<u>7,071</u>	-
			44,455	20,568	13,497
Title II-A Improving Teacher Quality	43638TR-S1-03	84.367	175,819	112,749	110,812
Title VI-R - Class Reduction	43638CR-S1-02	84.340	88,078	<u>20,430</u>	<u>16,350</u>
TOTAL DEPARTMENT OF EDUCATION				908,474	857,449
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Pass through Ohio Department of Education:					
<u>Nutrition Cluster</u>					
National School Lunch Program	4363804-PU-00	10.555		175,729	175,729
National School Breakfast Program	4363805-PU-00	10.553		21,549	21,549
Food Distribution Program		10.550		<u>72,488</u>	<u>71,022</u>
TOTAL DEPARTMENT OF AGRICULTURE				<u>269,766</u>	<u>268,300</u>
TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS				\$1,178,240	\$1,125,749

NOTE – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U. S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U. S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

Board of Education
Bowling Green City School District
140 S. Grove Street
Bowling Green, Ohio 43402

We have audited the financial statements of Bowling Green City School District as of and for the year ended June 30, 2003 and have issued our report thereon dated November 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial

Board of Education
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reporting that we have reported to management of Bowling Green City School District in a separate letter dated November 26, 2003

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

Walter O'Brien, LTD.

November 26, 2003



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

Board of Education
Bowling Green City School District
140 S. Grove Street
Bowling Green, Ohio 43402

Compliance

We have audited the compliance of Bowling Green City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The 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 District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 the 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 District's compliance with those requirements.

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

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and

Board of Education
Page Two

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

Webster O'Brien, LTD.

November 26, 2003

BOWLING GREEN CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2003

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___X___no
Reportable condition(s) identified not considered to be material weaknesses?	_____yes	___X___none reported
Noncompliance material to financial statements noted?	_____yes	___X___no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	___X___no
Reportable conditions(s) identified not considered to be material weaknesses?	_____yes	___X___none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	___X___no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Part B - IDEA

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low risk auditee?	___X___yes _____no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

BOWLING GREEN CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2003

NONE



**Auditor of State
Betty Montgomery**

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BOWLING GREEN CITY 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
JANUARY 20, 2004**