



**Auditor of State
Betty Montgomery**

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual - General Fund	16
Statement of Fund Net Assets – Health Self-Insurance - Internal Service Fund	17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Health Self-Insurance - Internal Service Fund	18
Statement of Cash Flows – Health Self-Insurance Internal Service Fund	19
Statement of Fiduciary Net Assets – Agency Funds	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Receipts and Expenditures	47
Notes to the Schedule of Federal Awards Receipts and Expenditures	48
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	51
Schedule of Findings - <i>OMB Circular A-133, Section .505</i>	53

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Caldwell Exempted Village School District
Noble County
516 Fairground Street
Caldwell, Ohio 43724

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Caldwell Exempted Village School District, Noble County, Ohio (the 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Caldwell Exempted Village School District
Noble County
Independent Accountants' Report
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 23, 2003

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

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

Financial Highlights

Key financial highlights for fiscal year 2003 are as follows:

- Net assets of governmental activities decreased \$366,536 from fiscal year 2002.
- General revenues accounted for \$6,468,467 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,326,299 or 17 percent of total revenues of \$7,794,766.
- Total assets of governmental activities decreased by \$43,431 primarily due to a decrease in capital assets associated with annual depreciation expense. Cash and cash equivalents and property taxes increased from fiscal year 2002 due to conservative spending and an increase in property values in the County.
- The School District had \$8,161,302 in expenses related to governmental activities; only \$1,326,299 of these expenses were offset by program specific charges for services and sales, grants, or contributions. General revenues (primarily intergovernmental revenues and property taxes) of \$6,468,467 were not adequate enough to provide for these programs.
- The general fund had \$6,572,398 in revenues and \$6,334,637 in expenditures. The general fund's fund balance increased to \$1,686,474 from \$1,464,710.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Caldwell Exempted Village School District as a financial whole, an entire operating entity. The statements then proceed to present a detailed outline of specific activities.

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2002-2003 fiscal year?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 13. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

The School District as a Whole

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

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

(Table 1)
Net Assets

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$6,799,162	\$6,580,476
Capital Assets	6,808,346	7,070,463
Total Assets	13,607,508	13,650,939
Liabilities		
Long-Term Liabilities	(1,111,345)	(1,231,157)
Other Liabilities	(3,715,560)	(3,272,643)
Total Liabilities	(4,826,905)	(4,503,800)
Net Assets		
Invested in Capital		
Assets Net of Debt	6,158,346	6,290,463
Restricted	913,596	921,344
Unrestricted	1,708,661	1,935,332
Total Net Assets	\$8,780,603	\$9,147,139

Total assets decreased \$43,431. Even though cash and cash equivalents increased \$68,519, the book value of capital assets decreased \$262,117. The decrease is due to depreciation expense on capital assets which exceeded current year acquisitions of capital assets. Also property taxes receivable increased due to an increase in property values in the County.

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

Long-term liabilities decreased \$119,812 as the School District made required bond payments of \$130,000 and did not issue new debt during fiscal year 2003. Conversely, other liabilities increased \$442,917 or 14 percent. \$70,414 of this increase is attributable to the increase in salary amounts within accrued wages from fiscal year 2002 and \$199,160 can be attributed to increased claims payable. Deferred revenue also increased by \$58,515 due primarily to increased property taxes receivable.

Net assets decreased \$366,536. Most of this decrease can be attributed to depreciation of capital assets and the corresponding decrease in net assets: invested in capital assets, net of related debt. Unrestricted net assets decreased \$226,671 or 12 percent primarily due to the increase in claims payable of the internal service fund.

Table 2 shows the changes in net assets for fiscal year 2003.

Table 2
Change in Net Assets

	Governmental Activities	
	2003	2002
Revenues		
Program Revenues:		
Charges for Services and Sales	\$385,959	\$419,848
Operating Grants and Contributions	852,215	810,759
Capital Grants and Contributions and Interest	88,125	70,761
General Revenues:		
Property Taxes	2,424,230	2,005,848
Grants and Entitlements	3,874,115	3,702,686
Other	170,122	180,261
Total Revenues	<u>7,794,766</u>	<u>7,190,163</u>
Program Expenses		
Instruction	4,599,370	4,174,454
Support Services:		
Pupil and Instructional Staff	755,836	641,388
Board of Education, Administration and Fiscal	904,717	926,319
Operation and Maintenance of Plant	570,841	509,305
Pupil Transportation	646,688	596,596
Central	1,772	2,307
Operation of Non-Instructional Services	411,330	362,511
Extracurricular Activities	215,255	218,025
Interest and Fiscal Charge	55,493	65,730
Total Expenses	<u>8,161,302</u>	<u>7,496,635</u>
Change in Net Assets	<u>(\$366,536)</u>	<u>(\$306,472)</u>

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

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Our school district, which is dependent upon property taxes is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. The last successful operating levy renewal was passed in the May 1999 election. Property taxes made up 31 percent of revenues for governmental activities for Caldwell Exempted Village Schools in fiscal year 2003.

As can be seen from Table 2, the largest factor in the decrease in net assets can be attributed to increased expenses of \$664,667. This increase is due to salary and salary related costs associated with a 4 percent union contract increase from fiscal year 2002 levels. The largest Governmental Activities program expense is instruction, which comprises 56 percent of expenses. Interest expense during fiscal year 2003 was \$55,493 and was attributable to the outstanding bonds for school improvements.

The *Statement of Activities* shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003	Total Cost of Services 2002	Net Cost of Services 2002
Instruction	\$4,599,370	\$3,952,959	\$4,174,454	\$3,579,346
Support Services:				
Pupil and Instructional Staff	755,836	613,548	641,388	539,576
Board of Education, Administration and Fiscal	904,717	838,539	926,319	819,282
Operation and Maintenance of Plant	570,841	568,519	509,305	508,771
Pupil Transportation	646,688	602,166	596,596	552,231
Central	1,772	168	2,307	1,057
Operation of Non-Instructional Services	411,330	73,275	362,511	40,380
Extracurricular Activities	215,255	130,336	218,025	88,894
Interest and Fiscal Charges	55,493	55,493	65,730	65,730
Total Expenses	<u>\$8,161,302</u>	<u>\$6,835,003</u>	<u>\$7,496,635</u>	<u>\$6,195,267</u>

The dependence upon tax revenues for governmental activities is apparent. Over 85 percent of instruction activities are supported through taxes and intergovernmental revenues. For all governmental activities general revenue support is 84 percent. Unrestricted State entitlements and property taxes are by far the primary support for Caldwell Exempted Village School District students.

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

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,767,013 and expenditures of \$7,551,305. The net change in fund balance for the year was most significant in the general fund, an increase of \$221,764. This net change indicates that the School District has been consistent in meeting School District short-term obligations.

General Fund Budgeting Highlights

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

For the general fund, budget basis revenues were \$158,474 above final budget estimates of \$6,065,520. This difference was due to conservative tax and intergovernmental estimates.

The School District's general fund ending unobligated cash balance was \$761,969 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$12,031,652 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures in governmental activities. Table 4 shows fiscal year 2003 balances compared to 2002 after accumulated depreciation of \$5,223,306 and \$4,859,813, respectively:

(Table 4)
Capital Assets at June 30

	Governmental Activities	
	2003	2002
Land	\$356,700	\$356,700
Buildings and Improvements	5,929,403	6,131,271
Machinery, Furniture and Equipment	275,936	254,856
Vehicles	246,307	327,636
Totals	\$6,808,346	\$7,070,463

The primary decrease occurred in buildings and improvements due to annual depreciation costs. See note 9 for more detailed information of the School District's capital assets.

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

Set-asides

For fiscal year 2003, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2003, this amounted to \$130,917 for each set aside. For fiscal year 2003 the School District had qualifying disbursements or offsets exceeding this \$130,917 requirement for textbooks and capital maintenance.

Debt

At June 30, 2003 the School District had \$650,000 in bonds outstanding, with \$130,000 due within one year. Table 5 summarizes bonds outstanding:

(Table 5)
Outstanding Debt, at Year End

	Governmental Activities 2003	Governmental Activities 2002
General Obligation Bonds:		
1987 Elementary School Improvement	\$650,000	\$780,000

The 1987 School Improvement Bonds were originally issued in the amount of \$2,750,000 for the purpose of constructing a new elementary school, remodeling, renovating, furnishing, equipping and otherwise improving existing school buildings and acquiring and improving school sites. These general obligations will be paid from the debt service fund. See note 15 for more detailed information of the School District's debt.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Charles Radcliff, Treasurer at Caldwell Exempted Village School District, 516 Fairground St., Caldwell, Ohio 43724.

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Caldwell Exempted Village School District, Ohio
Statement of Net Assets
June 30, 2003

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,214,995
Cash and Cash Equivalents with Fiscal Agents	924,150
Accounts Receivable	4,058
Intergovernmental Receivable	36,675
Materials and Supplies Inventory	1,333
Inventory Held for Resale	9,968
Prepaid Items	123,616
Property Taxes Receivable	2,484,367
Nondepreciable Capital Assets	356,700
Depreciable Capital Assets, Net	6,451,646
Total Assets	13,607,508
 Liabilities	
Accounts Payable	73,066
Accrued Wages and Benefits Payable	868,992
Accrued Interest Payable	4,067
Intergovernmental Payable	249,949
Claims Payable	425,111
Deferred Revenue	2,094,375
Long-Term Liabilities:	
Due Within One Year	300,698
Due In More Than One Year	810,647
Total Liabilities	4,826,905
 Net Assets	
Invested in Capital Assets, Net of Related Debt	6,158,346
Restricted for:	
Capital Projects	364,245
Debt Service	288,805
Set-Asides	28,284
Other Purposes	232,262
Unrestricted	1,708,661
Total Net Assets	\$8,780,603

See accompanying notes to the basic financial statements

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

	Expenses	Program Revenues			Net Expense and Change in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions, and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$3,433,079	\$18,260	\$78,445	\$50,000	(\$3,286,374)
Special	1,002,899	66,864	400,259	0	(535,776)
Vocational	161,241	0	32,583	0	(128,658)
Adult/Continuing	2,151	0	0	0	(2,151)
Support Services:					
Pupils	392,168	40,474	10,492	0	(341,202)
Instructional Staff	363,668	0	91,322	0	(272,346)
Board of Education	41,819	0	0	0	(41,819)
Administration	622,535	0	65,828	0	(556,707)
Fiscal	240,363	0	350	0	(240,013)
Operation and Maintenance of Plant	570,841	972	1,137	213	(568,519)
Pupil Transportation	646,688	167	6,443	37,912	(602,166)
Central	1,772	0	1,604	0	(168)
Operation of Non-Instructional Services:					
Food Service Operations	369,670	154,933	147,871	0	(66,866)
Other Non-Instructional Services	41,660	19,968	15,283	0	(6,409)
Extracurricular Activities	215,255	84,321	598	0	(130,336)
Interest	55,493	0	0	0	(55,493)
Total Governmental Activities	\$8,161,302	\$385,959	\$852,215	\$88,125	(6,835,003)
General Revenues					
Property Taxes Levied for:					
General Purposes					2,151,643
Debt Service					229,746
Other Purposes					42,841
Grants and Entitlements not Restricted to Specific Programs					3,874,115
Gain on Disposal of Capital Assets					3
Investment Earnings					70,808
Increase in Fair Value of Investments					6,471
Miscellaneous					92,840
Total General Revenues					6,468,467
Change in Net Assets					(366,536)
Net Assets Beginning of Year					9,147,139
Net Assets End of Year					\$8,780,603

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio

Balance Sheet
Governmental Funds
June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,259,084	\$927,627	\$3,186,711
Materials and Supplies Inventory	0	1,333	1,333
Inventory Held for Resale	0	9,968	9,968
Accounts Receivable	4,058	0	4,058
Intergovernmental Receivable	5,110	31,565	36,675
Interfund Receivable	4,210	0	4,210
Prepaid Items	109,547	14,069	123,616
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	28,284	0	28,284
Property Taxes Receivable	2,206,337	278,030	2,484,367
Total Assets	\$4,616,630	\$1,262,592	\$5,879,222
Liabilities			
Accounts Payable	\$60,327	\$12,739	\$73,066
Accrued Wages and Benefits Payable	761,396	107,596	868,992
Intergovernmental Payable	171,239	12,935	184,174
Interfund Payable	0	4,210	4,210
Deferred Revenue	1,937,194	249,979	2,187,173
Total Liabilities	2,930,156	387,459	3,317,615
Fund Balances			
Reserved for Encumbrances	197,392	89,014	286,406
Reserved for Unclaimed Monies	637	0	637
Reserved for Budget Stabilization	28,284	0	28,284
Reserved for Debt Service	0	255,530	255,530
Reserved for Property Taxes	273,116	33,974	307,090
Unreserved:			
Designated for Budget Stabilization	40,000	0	40,000
Undesignated, Reported in:			
General Fund	1,147,045	0	1,147,045
Special Revenue Funds	0	168,284	168,284
Capital Projects Funds	0	328,331	328,331
Total Fund Balances	1,686,474	875,133	2,561,607
Total Liabilities and Fund Balances	\$4,616,630	\$1,262,592	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 6,808,346

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	82,902	
Grants	9,896	
Total Other Long-Term Assets		92,798

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 499,039

Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (65,775)

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

General Obligation Bonds	(650,000)	
Compensated Absences	(461,345)	
Accrued Interest Payable	(4,067)	
Total Long-Term Liabilities		(1,115,412)

Net Assets of Governmental Activities **\$8,780,603**

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$2,172,332	\$274,606	\$2,446,938
Intergovernmental	4,171,629	638,091	4,809,720
Interest	52,006	467	52,473
Increase in Fair Value of Investments	6,471	0	6,471
Tuition and Fees	85,124	0	85,124
Extracurricular Activities	0	124,962	124,962
Rentals	972	0	972
Charges for Services	0	154,933	154,933
Contributions and Donations	1,971	1,014	2,985
Miscellaneous	81,893	542	82,435
Total Revenues	6,572,398	1,194,615	7,767,013
Expenditures			
Current:			
Instruction:			
Regular	3,122,598	79,732	3,202,330
Special	643,704	262,584	906,288
Vocational	124,679	308	124,987
Adult/Continuing	2,151	0	2,151
Other	9,601	0	9,601
Support Services:			
Pupils	310,403	61,040	371,443
Instructional Staff	212,200	109,522	321,722
Board of Education	39,141	0	39,141
Administration	513,122	64,155	577,277
Fiscal	220,673	13,302	233,975
Operation and Maintenance of Plant	528,288	0	528,288
Pupil Transportation	490,979	5,030	496,009
Central	0	1,772	1,772
Operation of Non-Instructional Services:			
Food Service Operations	0	329,744	329,744
Other Non-Instructional Services	8,652	1,714	10,366
Extracurricular Activities	108,446	101,459	209,905
Debt Service:			
Principal Retirement	0	130,000	130,000
Interest and Fiscal Charges	0	56,306	56,306
Total Expenditures	6,334,637	1,216,668	7,551,305
Excess of Revenues Over (Under) Expenditures	237,761	(22,053)	215,708
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	1,003	0	1,003
Transfers In	0	17,000	17,000
Transfers Out	(17,000)	0	(17,000)
Total Other Financing Sources (Uses)	(15,997)	17,000	1,003
Net Change in Fund Balances	221,764	(5,053)	216,711
Fund Balances Beginning of Year	1,464,710	880,186	2,344,896
Fund Balances End of Year	\$1,686,474	\$875,133	\$2,561,607

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds \$216,711

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

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

Fixed Asset Additions	134,898	
Current Year Depreciation	<u>(396,015)</u>	(261,117)

Governmental funds only report the disposal of fixed assets to the extent proceeds in the amount of \$1,003 were received. In the statement of activities, a gain has been reported for \$3. The resulting difference is used as a reconciling item between the statement of activities and the fund financial statements. (1,000)

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

Grants	1,283	
Delinquent Property Taxes	<u>(22,708)</u>	(21,425)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 130,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 813

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

Compensated Absences	(31,665)	
Tax Refund	21,477	
Pension Obligation	<u>(3,881)</u>	(14,069)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net expense of the internal service fund is reported with governmental activities. (416,449)

Change in Net Assets of Governmental Activities (\$366,536)

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,813,360	\$1,813,360	\$1,907,536	\$94,176
Intergovernmental	4,081,760	4,081,760	4,168,849	87,089
Interest	80,400	80,400	55,007	(25,393)
Tuition and Fees	73,500	73,500	85,075	11,575
Rentals	500	500	942	442
Contributions and Donations	0	0	1,971	1,971
Miscellaneous	16,000	16,000	4,614	(11,386)
Total Revenues	6,065,520	6,065,520	6,223,994	158,474
Expenditures				
Current:				
Instruction:				
Regular	3,206,165	3,209,465	3,098,705	110,760
Special	684,079	686,059	650,744	35,315
Vocational	124,671	127,383	131,380	(3,997)
Adult/Continuing	3,210	3,210	3,001	209
Other	14,091	17,651	16,861	790
Support Services:				
Pupils	327,746	327,746	301,431	26,315
Instructional Staff	243,847	258,847	242,305	16,542
Board of Education	95,331	95,431	49,424	46,007
Administration	558,950	569,650	524,804	44,846
Fiscal	247,952	250,168	231,390	18,778
Operation and Maintenance of Plant	602,650	603,597	571,642	31,955
Pupil Transportation	687,968	688,638	660,492	28,146
Operation of Non-Instructional Services	12,165	12,165	8,652	3,513
Extracurricular Activities	123,776	123,776	108,225	15,551
Capital Outlay	4,000	4,000	0	4,000
Total Expenditures	6,936,601	6,977,786	6,599,056	378,730
Excess of Revenues Under Expenditures	(871,081)	(912,266)	(375,062)	537,204
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	0	0	1,003	1,003
Refund of Prior Year Expenditures	0	0	17,889	17,889
Other Financing Sources	3,000	3,000	63,424	60,424
Refund of Prior Year Receipts	(44,000)	(44,000)	(18,010)	25,990
Other Financing Uses	(166,185)	(123,669)	0	123,669
Advances Out	0	0	(4,210)	(4,210)
Transfers Out	(15,000)	(17,000)	(17,000)	0
Total Other Financing Sources (Uses)	(222,185)	(181,669)	43,096	224,765
Net Change in Fund Balance	(1,093,266)	(1,093,935)	(331,966)	761,969
Fund Balance Beginning of Year	1,881,090	1,881,090	1,881,090	0
Prior Year Encumbrances Appropriated	294,731	294,731	294,731	0
Fund Balance End of Year	\$1,082,555	\$1,081,886	\$1,843,855	\$761,969

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Fund Net Assets
Health Self-Insurance Internal Service Fund
June 30, 2003

Current Assets

Cash and Cash Equivalents with Fiscal Agents	<u>\$924,150</u>
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Total Assets	<u>924,150</u>
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Current Liabilities

Claims Payable	<u>425,111</u>
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Total Liabilities	<u>425,111</u>
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Net Assets

Unrestricted	<u><u>\$499,039</u></u>
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See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2003

Operating Revenues	
Charges for Services	\$1,062,435
Miscellaneous	10,405
	<u>1,072,840</u>
Total Operating Revenues	<u>1,072,840</u>
Operating Expenses	
Purchased Services	222,799
Claims	1,285,292
	<u>1,508,091</u>
Total Operating Expenses	<u>1,508,091</u>
Operating Loss	<u>(435,251)</u>
Non-Operating Revenues	
Interest	18,802
	<u>18,802</u>
Total Non-Operating Revenues	<u>18,802</u>
Change in Net Assets	(416,449)
Net Assets Beginning of Year	915,488
	<u>915,488</u>
Net Assets End of Year	<u><u>\$499,039</u></u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Cash Flows
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2003

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Transactions with Other Funds	\$1,062,435
Other Cash Receipts	17,401
Cash Payments for Goods and Services	(222,799)
Cash Payments for Claims	<u>(1,086,132)</u>

Net Cash Used for Operating Activities (229,095)

Cash Flows from Investing Activities

Interest on Investments	<u>18,802</u>
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Net Decrease in Cash and Cash Equivalents (210,293)

Cash and Cash Equivalents Beginning of Year 1,134,443

Cash and Cash Equivalents End of Year \$924,150

**Reconciliation of Operating Loss to Net Cash
Used for Operating Activities**

Operating Loss (\$435,251)

Decrease in Accounts Receivable 6,996

Increase in Claims Payable 199,160

Net Cash Used for Operating Activities (\$229,095)

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2003

Assets

Equity in Pooled Cash and Cash Equivalents	\$26,634
Cash and Cash Equivalents with Escrow Agents	<u>13,055</u>
Total Assets	<u><u>\$39,689</u></u>

Liabilities

Undistributed Monies	\$13,055
Due to Students	<u>26,634</u>
Total Liabilities	<u><u>\$39,689</u></u>

See accompanying notes to the basic financial statements

Note 1 - Description of the School District and Reporting Entity

Caldwell Exempted Village School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and Federal agencies.

The School District is located in Caldwell, Ohio, in Noble County. The Board of Education controls the School District's three instructional/support facilities staffed by 46 classified employees, 78 certificated full-time teaching personnel, and 4 administrators who provide services to 1,040 students and other community members. The School District is the 487th largest in the State of Ohio (among 613 school districts) in terms of enrollment.

Reporting Entity

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

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) the Mid-East Career and Technology Centers (formerly Mid-East Ohio Joint Vocational School District), the East Central Ohio Special Education Regional Resource Center (ECO SERRC), and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations; the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan and the Ohio School Plan, which are defined as group insurance purchasing pools; and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Program, which is defined as a claims servicing pool. Additional information concerning these organizations is presented in Note 16.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and an escrow account.

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The School District participates in the OME-RESA insurance consortium for self insurance. These monies are held separate from the School District's central bank account and are reflected in the financial statements as "Cash and Cash Equivalents with Fiscal Agents". The School District maintains an escrow account that is held separate from the School District's central bank account and is reflected in the financial statements as "Cash and Cash Equivalents with Escrow Agents" (See Note 17).

During fiscal year 2003, the School District's investments were limited to Certificates of Deposit, federal agency securities, and STAROhio. Certificates of deposit are reported at cost. Federal Agency securities are reported at fair value based on quoted market process. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$52,006, which includes \$14,187 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

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

Inventories of governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	20-50 Years
Vehicles	3-15 Years
Machinery, Equipment, Furniture and Fixtures	5-25 Years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. A liability is recorded for vacation eligible employees after one year service with the School District.

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Interfund Activity

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

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

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute to be set aside to create a reserve for budget stabilization. See Note 18 for additional information regarding set asides.

N. Fund Balance Reserves and Designations

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation. The reserve for debt service represents the fund balance in the debt service fund required to be used for future debt service requirements associated with an outstanding general obligation bond issue. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

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

The School District has a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the reserve for budget stabilization required by State statute.

O. Net Assets

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

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

P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

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

R. Estimates

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

S. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

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

Note 3 – Accountability and Compliance

A. Accountability

At June 30, 2003, the Disadvantaged Pupil Impact Aid, Data Communications, and Title I special revenue funds had deficit fund balances in the amounts of \$332, \$4,149, and \$19,469, respectively. These deficits are due to adjustments for accrued liabilities. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Title V Special Revenue Fund had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code in the amount of \$1,751. Management has indicated that expenditures will be closely monitored to ensure no future violations.

Note 4 - Budgetary Basis of Accounting

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

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

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

GAAP Basis	\$221,764
Net Adjustment for Revenue Accruals	(262,192)
Fiscal Year 2002 Unrecorded Cash	1,600
Fiscal Year 2003 Unrecorded Cash	(6,499)
Fiscal Year 2002 Prepaid Items	87,289
Fiscal Year 2003 Prepaid Items	(109,547)
Net Adjustment for Expenditure Accruals	176,843
Advance Out	(4,210)
Encumbrances	(437,014)
Budget Basis	<u><u>(\$331,966)</u></u>

Note 5 - Deposits and Investments

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

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

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

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

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

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 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 marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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."

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

At June 30, 2003, the School District's internal service fund had a balance of \$924,150 with OME-RESA, a jointly governed organization (See Note 16). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center.

Unrecorded Cash At fiscal year end, the School District had \$6,499 in unrecorded interest which is included on the balance sheet of the School District as part of "Cash and Cash Equivalents".

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$410,608 and the bank balance was \$556,116 Of the bank balance:

1. \$213,055 was covered by federal depository insurance; and
2. \$343,061 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investment	Category 2	Fair Value	Rate	Maturity
Government Securities:				
Federal Home Loan Bank Bonds	\$201,312	\$201,312	2.00%	06/17/2005
Federal National Mortgage Association - Notes	200,562	200,562	2.03%	04/21/2005
Federal National Mortgage Association - Notes	200,562	200,562	2.06%	07/07/2005
Federal National Mortgage Association - Notes	200,626	200,626	2.37%	12/29/2005
Federal Home Loan Mortgage Corporation - Discount Notes	199,920	199,920	1.17%	07/15/2003
STAROhio	0	1,834,595		
Total	<u>\$1,002,982</u>	<u>\$2,837,577</u>		

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

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

	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement 9	\$4,178,834	\$0
Unrecorded Cash	(6,499)	0
Deposits with Fiscal Agent	(924,150)	0
Investment which is part of the Cash Management Pool:		
Federal Agency Securities	(1,002,982)	1,002,982
Investment in STAROhio	(1,834,595)	1,834,595
GASB Statement 3	\$410,608	\$2,837,577

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenues received in calendar 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Caldwell Exempted Village School District. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Caldwell Exempted Village School District. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal taxes which were measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2003, \$273,116 was available as an advance in the general fund, \$5,306 was available to the classroom facilities special revenue fund, and \$28,668 was available to the bond retirement debt service fund. The amount available as an advance at June 30, 2002, was \$8,320 in the general fund, \$190 in the classroom facilities special revenue fund, and \$920 in the bond retirement debt service fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been deferred.

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

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$54,856,070	69.72%	\$63,946,440	70.48%
Public Utility Personal	10,465,690	13.30%	10,514,730	11.59%
Tangible Personal Property	13,361,930	16.98%	16,272,050	17.93%
Total	\$78,683,690	100.00%	\$90,733,220	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$34.20		 \$34.20	

Note 7 - Receivables

Receivables at June 30, 2003, consisted of property taxes, interfund, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

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

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
E-Rate Reimbursement	\$3,973
Drug Free Grant	1,114
Adult Vocational Education	301
FEMA	1,137
Special Idea Part B Grant	11,859
Title IIA Grant	5,823
Title I Grant	8,797
Early Childhood Grant	459
Title II D Grant	<u>3,212</u>
Total	<u><u>\$36,675</u></u>

Note 8 - Interfund Balances

There is an interfund receivables/payables in the total amount of \$4,210 reported on the balance sheet. These balances are the result of advances from the General Fund to the Title IIA Grant and Miscellaneous Federal Grants special revenue funds in the amounts of \$999 and \$3,211, respectively. These advances are for expenses that had not been reimbursed to these funds as of June 30, 2003.

Note 9 - Capital Assets

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

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

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Nondepreciable Capital Assets				
Land	\$356,700	\$0	\$0	\$356,700
Depreciable Capital Assets				
Buildings and Improvements	9,338,296	14,815	0	9,353,111
Vehicles	1,067,391	0	(32,272)	1,035,119
Machinery, Equipment, Furniture and Fixtures	1,167,889	120,083	(1,250)	1,286,722
Total Capital Assets Being Depreciated	<u>11,573,576</u>	<u>134,898</u>	<u>(33,522)</u>	<u>11,674,952</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(3,207,025)	(216,683)	0	(3,423,708)
Vehicles	(739,755)	(81,329)	32,272	(788,812)
Machinery, Equipment, Furniture, and Fixtures	(913,033)	(98,003)	250	(1,010,786)
Total Accumulated Depreciation	<u>(4,859,813)</u>	<u>(396,015) *</u>	<u>32,522</u>	<u>(5,223,306)</u>
Total Capital Assets Being Depreciated, Net	<u>6,713,763</u>	<u>(261,117)</u>	<u>(1,000)</u>	<u>6,451,646</u>
Governmental Activities Capital Assets, Net	<u>\$7,070,463</u>	<u>(\$261,117)</u>	<u>(\$1,000)</u>	<u>\$6,808,346</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$131,944
Special	38,707
Vocational	23,327
Support Services:	
Pupils	9,209
Instructional Staff	23,442
Board of Education	2,372
Administration	20,046
Fiscal	5,010
Operation and Maintenance of Plant	31,984
Pupil Transportation	88,494
Non-Instructional Services	14,335
Extracurricular Activities	7,145
Total Governmental Depreciation	<u>\$396,015</u>

Note 10 - Interfund Transfers

A transfer was made during fiscal year 2003 for \$17,000 to the Food Service Special Revenue Fund from the General Fund. This transfer was made to move unrestricted balances to support this non-instructional program accounted for in a separate fund.

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

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District purchased the following coverage:

During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 16)

Ohio School Plan

Fleet Insurance:		
Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$50,000	any one accident
Comprehensive		actual cash value
Collision		actual cash value
Inland Marine	\$13,511	

Westfield Insurance Company

Building and Personal Property	\$17,091,900	blanket with \$1,000 deductible
Football Uniforms and Equipment	\$25,000	\$500 deductible
Musical Instruments and Related Equipment	\$170,000	\$500 deductible
Employee Dishonesty	\$10,000	no deductible

Settled claims have not exceeded their commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

B. Worker's Compensation

For fiscal year 2003, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administration costs and actuarial services to the GRP.

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

C. Medical/Surgical, Dental, Vision, and Prescription Drug Insurances

Medical/surgical, dental, vision, and prescription drug insurance is offered through a self-insurance internal service fund. The School District pays all but \$7 for classified and \$10 for certified in premiums for basic medical insurance and all but \$1 for all employees for major medical coverage. In addition, the School District pays the entire premium for dental and prescription drug coverage and also covers one-half of the cost of vision insurance for all employees. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$425,111 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. An additional internal stop-loss coverage policy covers individual claims from \$35,000 to \$75,000. An external insurer is retained for individual stop-loss coverage in excess of \$75,000.

Changes in the fund's claims liability amount in 2002 and 2003 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$90,747	\$941,652	\$806,448	\$225,951
2003	225,951	1,285,292	1,086,132	425,111

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 225 days for certified employees and up to 220 days for classified employees. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 40 days plus one additional day for every three years spent in the School District. Classified employees, upon retirement, receive payment for one-fourth of the total sick leave accumulation up to 34 total paid days plus one and one-half days of severance pay for every three years of continuous employment leading up to retirement.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to employees through Medical Life Insurance Company in the amount of \$5,000 for classified employees and \$15,000 for certified employees.

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

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$69,365, \$44,717 and \$31,907 respectively; 44 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$39,009 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits and death and survivor benefits to members and beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify

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

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

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$418,736, \$287,375, and \$275,614 respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$1,266 made by the School District and \$1,399 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, there are no employees who have elected Social Security.

Note 14 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$32,210 for fiscal year 2003.

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

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from 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 at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$70,334.

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, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 15 - Long Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 06/30/02	Additions	Reductions	Outstanding 06/30/03	Due in One Year
Governmental Activities:					
General Obligation Bonds:					
1987 7.875% School Improvement	\$780,000	\$0	(\$130,000)	\$650,000	\$130,000
Tax Refund	21,477	0	(21,477)	0	0
Compensated Absences	429,680	179,914	(148,249)	461,345	170,698
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,231,157</u>	<u>\$179,914</u>	<u>(\$299,726)</u>	<u>\$1,111,345</u>	<u>\$300,698</u>

The 1987 School Improvement Bonds were originally issued in the amount of \$2,750,000 for the purpose of constructing a new elementary school, remodeling, renovating, furnishing, equipping, and otherwise improving existing school buildings and acquiring and improving school sites. These general obligation bonds will be paid from the debt service fund.

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include General Fund and the Food Service, IDEA Part B, Disadvantaged Pupil Impact Aid, and Title I Special Revenue Funds.

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

The tax refund was a long-term obligation for a repayment of taxes to Texas Eastern Transmission Corporation, a public utility company, for tax years 1991 through 1996. The repayment of taxes will be deducted over ten settlements by the Noble County Auditor. This tax refund was an obligation of the General Fund, Bond Retirement Debt Service Fund, and Classroom Facilities Maintenance Special Revenue Fund in the amounts of \$18,009, \$3,112, and \$356, respectively.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2004	\$130,000	\$46,069	\$176,069
2005	130,000	35,831	165,831
2006	130,000	25,594	155,594
2007	130,000	15,356	145,356
2008	130,000	5,119	135,119
Total	\$650,000	\$127,969	\$777,969

The overall debt margin of the School District as of June 30, 2003, was \$8,421,520, with an unvoted debt margin of \$90,733.

Note 16 - Jointly Governed Organizations and Public Entity Risk Pools

A. Jointly Governed Organizations

The **Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)** was created as a regional council of governments pursuant to State statutes. OME-RESA has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The School District's payment for computer services to OME-RESA in fiscal year 2002 was \$25,004. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

The **Mid-East Career and Technology Centers** (formerly Mid-East Ohio Joint Vocational School District) are distinct political subdivisions of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Joint Vocational School District. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

The **East Central Ohio Special Education Regional Resource Center (ECO SERRC)** is a special education regional resource center which selects its own board, adopts its own budget, and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities

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

and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in east central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2003, the School District paid \$2,818 to ECO SERRC. Financial information can be obtained by contacting Julie A Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Education Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization including over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service functions for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2003, the School District paid \$300 to the Coalition.

B. Public Entity Risk Pools

Group Insurance Purchasing Pools The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee for fiscal year 2003 was \$1,971.

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Claims Servicing Pool The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Director's elected from the OME-RESA's assembly. Each member pays a monthly

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

premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

Note 17 - Contingencies

A. Grants

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

B. Litigation

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

The School District established an escrow account in name of J.A. Raeder, Inc., during the construction projects performed by this company. At June 30, 2003, the balance in the account was \$13,055 and is reported on the statement of fiduciary assets and liabilities as "cash and cash equivalents with escrow agents". The School District has not released the money because it contends that it is entitled to these funds due to this issue currently being in litigation. The balance in the escrow account can only be released by the School District Treasurer.

Note 18 - Set-Asides

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

Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the worker's compensation refunds.

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

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2002	(\$9,158)	\$0	\$28,284
Current year set-aside requirement	130,917	130,917	0
Current year offsets	0	(38,237)	0
Qualifying disbursements	(151,154)	(151,533)	0
Total	(29,395)	(58,853)	\$28,284
Set-aside balance carried forward to future fiscal years	(\$29,395)	\$0	\$28,284
Set-aside reserve balance as of June 30, 2003	\$0	\$0	\$28,284

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for textbooks and capital improvements. This extra amount may be used to reduce the set-aside requirement of future years for textbooks but not for capital improvements. The negative balance in the capital improvements set-aside is therefore not presented as being carried forward to future years. The budget reserve set-aside amount represents a Bureau of Workers' Compensation rebate from 1998.

Note 19 - State School Funding Decision

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

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

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

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**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$ -	\$ 35,178	\$ -	\$ 33,419
School Breakfast Program	045252-05PU-2003	10.553	17,801		17,801	
National School Lunch Program	045252-LLP4-2003	10.555	<u>94,416</u>		<u>94,416</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>112,217</u>	<u>35,178</u>	<u>112,217</u>	<u>33,419</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	045252-6BSF-2003-P	84.027	120,176		105,349	
Special Education - Preschool Grant	045252-PGS1-2003-P	84.173	<u>10,173</u>		<u>11,793</u>	
Total Special Education Cluster			130,349	0	117,142	0
Title I Grants to Local Educational Agencies (ESEA Title I)	045252C1S1-2003	84.010	203,094		230,113	
Innovative Education Program Strategies - Title V	045252-C2S1-2003	84.298	9,650		9,096	
Drug-Free Schools and Communities - State Grant	045252-DRS1-2003	84.186	4,164		5,190	
Education Technology State Grants	045252-TJS1-2003	84.318	1,977		1,300	
Title VI R		84.340	0		9,155	
Improving Teacher Quality State Grants	045252-TRS1-2003	84.367	<u>50,956</u>		<u>47,409</u>	
Total U.S. Department of Education			<u>400,190</u>	<u>0</u>	<u>419,405</u>	<u>0</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>						
<i>Passed Through the Ohio Emergency Management Agency:</i>						
Public Assistance Grant Program	FEMA-DR-1453-OH	83.544	<u>0</u>	<u>0</u>	<u>1,137</u>	<u>0</u>
Total Federal Emergency Management Agency			<u>0</u>	<u>0</u>	<u>1,137</u>	<u>0</u>
Total Federal Award Receipts and Expenditures			<u>\$ 512,407</u>	<u>\$ 35,178</u>	<u>\$ 532,759</u>	<u>\$ 33,419</u>

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

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.



**Auditor of State
Betty Montgomery**

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

Caldwell Exempted Village School District
Noble County
516 Fairground Street
Caldwell, Ohio 43724

To the Board of Education:

We have audited the financial statements of Caldwell Exempted Village School District, Noble County, Ohio (the District), as of and for the year ended June 30, 2003 and have issued our report thereon dated December 23, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated December 23, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 23, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 23, 2003



**Auditor of State
Betty Montgomery**

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

Caldwell Exempted Village School District
Noble County
516 Fairground Street
Caldwell, Ohio 43724

To the Board of Education:

Compliance

We have audited the compliance of Caldwell Exempted Village School District, Noble County, Ohio (the 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 its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 its major federal program 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 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.

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www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of the District in a separate letter dated December 23, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 23, 2003

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

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

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003
(Continued)**

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT

NOBLE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2004**