



**Auditor of State  
Betty Montgomery**



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Balance Sheet All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types .....	7
Combined Statement of Revenues, Expenditures and Changes In Fund Balances, Budget (Non-GAAP Budgetary Basis) and Actual All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – All Proprietary Fund Types.....	10
Combined Statement of Cash Flows All Proprietary Fund Types.....	11
Notes to the General Purpose Financial Statements.....	13
Schedule of Receipts and Expenditures of Federal Awards.....	49
Notes to the Schedule of Receipts and Expenditures of Federal Awards .....	50
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	53
Schedule of Findings.....	55

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Garaway Local School District  
Tuscarawas County  
146 Dover Avenue  
Box 339  
Sugarcreek, Ohio 44681

To the Board of Education:

We have audited the accompanying general purpose financial statements of Garaway Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Garaway Local School District, Tuscarawas County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Notes 3 and 8 in the general purpose financial statements, the District changed its capitalization threshold. Accordingly, fixed assets in the General Fixed Assets Account Group and Enterprise Fund fixed assets and retained earnings were restated at July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 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.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by the 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the 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

November 24, 2003

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**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 750,433	\$ 157,493	\$ 168,467	\$ 195,620
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent . . . . .	3,700,802	-	239,659	210,282
Accounts . . . . .	468	713	-	-
Accrued interest . . . . .	718	-	-	-
Intergovernmental receivables . . . . .	-	58,166	-	-
Materials and supplies inventory . . . . .	-	-	-	-
Inventory held for resale . . . . .	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	76,691	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .	-	-	-	-
<b>OTHER DEBITS:</b>				
Amount available in debt service fund . . . . .	-	-	-	-
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-	-
<b>Total assets and other debits . . . . .</b>	<b><u>\$ 4,529,112</u></b>	<b><u>\$ 216,372</u></b>	<b><u>\$ 408,126</u></b>	<b><u>\$ 405,902</u></b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable . . . . .	\$ 18,372	\$ 27,300	\$ -	\$ -
Accrued wages and benefits . . . . .	948,470	72,403	-	-
Compensated absences payable . . . . .	14,495	-	-	-
Intergovernmental payable . . . . .	145,006	8,633	-	-
Undistributed monies . . . . .	-	-	-	-
Deferred revenue . . . . .	3,384,752	19,668	222,135	191,917
Due to students . . . . .	-	-	-	-
General obligation bonds payable . . . . .	-	-	-	-
Energy conservation note payable . . . . .	-	-	-	-
<b>Total liabilities . . . . .</b>	<b><u>4,511,095</u></b>	<b><u>128,004</u></b>	<b><u>222,135</u></b>	<b><u>191,917</u></b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .	-	-	-	-
Contributed capital . . . . .	-	-	-	-
Retained earnings (accumulated deficit): unreserved . . . . .	-	-	-	-
Fund balances:				
Reserved for encumbrances . . . . .	91,786	39,951	-	56,909
Reserved for debt service . . . . .	-	-	168,467	-
Reserved for tax revenue unavailable for appropriation . . . . .	316,050	-	17,524	18,365
Reserved for BWC refunds . . . . .	40,124	-	-	-
Reserved for bus purchase allowance . . . . .	36,567	-	-	-
Unreserved-undesignated . . . . .	(466,510)	48,417	-	138,711
<b>Total equity and other credits . . . . .</b>	<b><u>18,017</u></b>	<b><u>88,368</u></b>	<b><u>185,991</u></b>	<b><u>213,985</u></b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b><u>\$ 4,529,112</u></b>	<b><u>\$ 216,372</u></b>	<b><u>\$ 408,126</u></b>	<b><u>\$ 405,902</u></b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 16,292	\$ 37,914	\$ -	\$ -	\$ 1,326,219
-	-	-	-	4,150,743
12	-	-	-	1,193
-	-	-	-	718
-	-	-	-	58,166
186	-	-	-	186
3,239	-	-	-	3,239
-	-	-	-	76,691
24,031	-	6,269,332	-	6,293,363
-	-	-	185,991	185,991
-	-	-	2,269,625	2,269,625
<u>\$ 43,760</u>	<u>\$ 37,914</u>	<u>\$ 6,269,332</u>	<u>\$ 2,455,616</u>	<u>\$ 14,366,134</u>
\$ -	\$ -	\$ -	\$ -	\$ 45,672
32,950	-	-	-	1,053,823
8,111	-	-	400,524	423,130
15,266	-	-	60,733	229,638
-	1,997	-	-	1,997
-	-	-	-	3,818,472
-	35,917	-	-	35,917
-	-	-	1,575,000	1,575,000
-	-	-	419,359	419,359
<u>56,327</u>	<u>37,914</u>	<u>-</u>	<u>2,455,616</u>	<u>7,603,008</u>
-	-	6,269,332	-	6,269,332
28,156	-	-	-	28,156
(40,723)	-	-	-	(40,723)
-	-	-	-	188,646
-	-	-	-	168,467
-	-	-	-	351,939
-	-	-	-	40,124
-	-	-	-	36,567
-	-	-	-	(279,382)
<u>(12,567)</u>	<u>-</u>	<u>6,269,332</u>	<u>-</u>	<u>6,763,126</u>
<u>\$ 43,760</u>	<u>\$ 37,914</u>	<u>\$ 6,269,332</u>	<u>\$ 2,455,616</u>	<u>\$ 14,366,134</u>

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**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 3,794,953	\$ -	\$ 246,213	\$ 217,570	\$ 4,258,736
Tuition . . . . .	365,509	-	-	-	365,509
Earnings on investments . . . . .	36,702	-	-	-	36,702
Extracurricular . . . . .	-	133,528	-	-	133,528
Contributions and donations . . . . .	1,818	64,678	-	-	66,496
Other local revenues . . . . .	101,874	686	-	-	102,560
Intergovernmental - State . . . . .	3,256,445	79,803	22,327	28,753	3,387,328
Intergovernmental - Federal . . . . .	-	495,113	-	-	495,113
<b>Total revenue . . . . .</b>	<b><u>7,557,301</u></b>	<b><u>773,808</u></b>	<b><u>268,540</u></b>	<b><u>246,323</u></b>	<b><u>8,845,972</u></b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	4,325,145	92,611	-	77,812	4,495,568
Special . . . . .	598,739	354,048	-	-	952,787
Vocational . . . . .	81,075	-	-	-	81,075
Other . . . . .	3,096	-	-	-	3,096
Support services:					
Pupil . . . . .	390,828	40,636	-	-	431,464
Instructional staff . . . . .	275,657	106,449	-	183	382,289
Board of Education . . . . .	18,205	-	-	-	18,205
Administration . . . . .	931,943	25,416	-	894	958,253
Fiscal . . . . .	275,453	1,485	3,886	4,342	285,166
Operations and maintenance . . . . .	748,913	47,492	-	116,965	913,370
Pupil transportation . . . . .	675,206	-	-	-	675,206
Central . . . . .	669	-	-	-	669
Community services . . . . .	-	-	-	17,017	17,017
Extracurricular activities . . . . .	163,147	91,185	-	-	254,332
Debt service:					
Principal retirement . . . . .	-	925	114,702	-	115,627
Interest and fiscal charges . . . . .	-	199	139,208	-	139,407
<b>Total expenditures . . . . .</b>	<b><u>8,488,076</u></b>	<b><u>760,446</u></b>	<b><u>257,796</u></b>	<b><u>217,213</u></b>	<b><u>9,723,531</u></b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(930,775)	13,362	10,744	29,110	(877,559)
Other financing sources (uses):					
Operating transfers in . . . . .	-	10,000	-	-	10,000
Operating transfers out . . . . .	(10,000)	-	-	-	(10,000)
Proceeds from sale of fixed assets . . . . .	4,800	-	-	-	4,800
<b>Total other financing sources (uses) . . . . .</b>	<b><u>(5,200)</u></b>	<b><u>10,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,800</u></b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	(935,975)	23,362	10,744	29,110	(872,759)
Fund balances, July 1 . . . . .	953,992	65,006	175,247	184,875	1,379,120
Fund balances, June 30 . . . . .	<u>\$ 18,017</u>	<u>\$ 88,368</u>	<u>\$ 185,991</u>	<u>\$ 213,985</u>	<u>\$ 506,361</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 3,674,363	\$ 3,678,485	\$ 4,122	\$ -	\$ -	\$ -
Tuition . . . . .	365,508	365,509	1	-	-	-
Earnings on investments. . . . .	37,625	37,040	(585)	-	-	-
Extracurricular. . . . .	-	-	-	127,796	132,815	5,019
Contributions and donations. . . . .	1,818	1,818	-	64,372	64,678	306
Other local revenues . . . . .	94,922	101,725	6,803	-	686	686
Intergovernmental - State . . . . .	3,257,940	3,256,797	(1,143)	64,804	79,803	14,999
Intergovernmental - Federal. . . . .	-	-	-	566,243	515,263	(50,980)
Total revenues. . . . .	<u>7,432,176</u>	<u>7,441,374</u>	<u>9,198</u>	<u>823,215</u>	<u>793,245</u>	<u>(29,970)</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular. . . . .	4,306,712	4,260,909	45,803	107,223	94,952	12,271
Special. . . . .	678,717	618,557	60,160	428,371	349,866	78,505
Vocational. . . . .	62,961	79,955	(16,994)	-	-	-
Other. . . . .	7,300	3,096	4,204	-	-	-
Support services:						
Pupil. . . . .	388,534	387,768	766	48,513	41,003	7,510
Instructional staff. . . . .	288,720	277,141	11,579	116,025	103,138	12,887
Board of Education . . . . .	18,839	18,204	635	-	-	-
Administration . . . . .	939,134	923,020	16,114	25,410	25,407	3
Fiscal. . . . .	288,882	281,856	7,026	1,500	1,500	-
Operations and maintenance . . . . .	776,440	756,757	19,683	72,819	72,492	327
Pupil transportation . . . . .	693,719	684,027	9,692	-	-	-
Central. . . . .	1,760	1,714	46	-	-	-
Community services . . . . .	-	-	-	-	-	-
Extracurricular activities . . . . .	163,069	163,509	(440)	109,065	102,125	6,940
Debt service:						
Principal retirement . . . . .	-	-	-	-	-	-
Interest and fiscal charges . . . . .	-	-	-	-	-	-
Total expenditures . . . . .	<u>8,614,787</u>	<u>8,456,513</u>	<u>158,274</u>	<u>908,926</u>	<u>790,483</u>	<u>118,443</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,182,611)</u>	<u>(1,015,139)</u>	<u>167,472</u>	<u>(85,711)</u>	<u>2,762</u>	<u>88,473</u>
Other financing sources (uses):						
Operating transfers in . . . . .	2,096	2,096	-	10,000	10,000	-
Operating transfers out. . . . .	(12,096)	(12,096)	-	-	-	-
Proceeds from sale of fixed assets . . . . .	3,600	4,800	1,200	-	-	-
Refund of prior year receipts . . . . .	-	-	-	(758)	(1,034)	(276)
Refund of prior year expenditures. . . . .	5,549	5,549	-	579	579	-
Total other financing sources (uses) . . . . .	<u>(851)</u>	<u>349</u>	<u>1,200</u>	<u>9,821</u>	<u>9,545</u>	<u>(276)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>(1,183,462)</u>	<u>(1,014,790)</u>	<u>168,672</u>	<u>(75,890)</u>	<u>12,307</u>	<u>88,197</u>
Fund balances, July 1 . . . . .	1,511,034	1,511,034	-	58,830	58,830	-
Prior year encumbrances appropriated . . . . .	<u>234,782</u>	<u>234,782</u>	<u>-</u>	<u>19,299</u>	<u>19,299</u>	<u>-</u>
Fund balances, June 30 . . . . .	<u>\$ 562,354</u>	<u>\$ 731,026</u>	<u>\$ 168,672</u>	<u>\$ 2,239</u>	<u>\$ 90,436</u>	<u>\$ 88,197</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 240,834	\$ 240,928	\$ 94	\$ 211,160	\$ 211,297	\$ 137	\$ 4,126,357	\$ 4,130,710	\$ 4,353
-	-	-	-	-	-	365,508	365,509	1
-	-	-	-	-	-	37,625	37,040	(585)
-	-	-	-	-	-	127,796	132,815	5,019
-	-	-	-	-	-	66,190	66,496	306
-	-	-	-	-	-	94,922	102,411	7,489
22,327	22,327	-	28,752	28,753	1	3,373,823	3,387,680	13,857
-	-	-	-	-	-	566,243	515,263	(50,980)
<u>263,161</u>	<u>263,255</u>	<u>94</u>	<u>239,912</u>	<u>240,050</u>	<u>138</u>	<u>8,758,464</u>	<u>8,737,924</u>	<u>(20,540)</u>
-	-	-	74,597	79,060	(4,463)	4,488,532	4,434,921	53,611
-	-	-	-	-	-	1,107,088	968,423	138,665
-	-	-	-	-	-	62,961	79,955	(16,994)
-	-	-	-	-	-	7,300	3,096	4,204
-	-	-	-	-	-	437,047	428,771	8,276
-	-	-	4,717	183	4,534	409,462	380,462	29,000
-	-	-	-	-	-	18,839	18,204	635
50	-	50	915	894	21	965,509	949,321	16,188
4,000	3,886	114	4,625	4,342	283	299,007	291,584	7,423
-	-	-	156,978	116,965	40,013	1,006,237	946,214	60,023
-	-	-	55,710	55,709	1	749,429	739,736	9,693
-	-	-	-	-	-	1,760	1,714	46
-	-	-	17,017	17,017	-	17,017	17,017	-
-	-	-	-	-	-	272,134	265,634	6,500
114,702	114,702	-	-	-	-	114,702	114,702	-
139,208	139,208	-	-	-	-	139,208	139,208	-
<u>257,960</u>	<u>257,796</u>	<u>164</u>	<u>314,559</u>	<u>274,170</u>	<u>40,389</u>	<u>10,096,232</u>	<u>9,778,962</u>	<u>317,270</u>
<u>5,201</u>	<u>5,459</u>	<u>258</u>	<u>(74,647)</u>	<u>(34,120)</u>	<u>40,527</u>	<u>(1,337,768)</u>	<u>(1,041,038)</u>	<u>296,730</u>
-	-	-	-	-	-	12,096	12,096	-
-	-	-	-	-	-	(12,096)	(12,096)	-
-	-	-	-	-	-	3,600	4,800	1,200
-	-	-	-	-	-	(758)	(1,034)	(276)
-	-	-	-	-	-	6,128	6,128	-
-	-	-	-	-	-	8,970	9,894	924
5,201	5,459	258	(74,647)	(34,120)	40,527	(1,328,798)	(1,031,144)	297,654
163,008	163,008	-	130,116	130,116	-	1,862,988	1,862,988	-
-	-	-	42,715	42,715	-	296,796	296,796	-
<u>\$ 168,209</u>	<u>\$ 168,467</u>	<u>\$ 258</u>	<u>\$ 98,184</u>	<u>\$ 138,711</u>	<u>\$ 40,527</u>	<u>\$ 830,986</u>	<u>\$ 1,128,640</u>	<u>\$ 297,654</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Sales/charges for services . . . . .	\$ 236,379	\$ 284,916	\$ 521,295
Other operating revenues . . . . .	<u>12</u>	<u>-</u>	<u>12</u>
Total operating revenues . . . . .	<u>236,391</u>	<u>284,916</u>	<u>521,307</u>
Operating expenses:			
Personal services . . . . .	202,701	-	202,701
Contract services . . . . .	14,331	39,099	53,430
Materials and supplies . . . . .	146,986	-	146,986
Depreciation . . . . .	1,259	-	1,259
Claims expense . . . . .	-	257,650	257,650
Other . . . . .	<u>307</u>	<u>-</u>	<u>307</u>
Total operating expenses . . . . .	<u>365,584</u>	<u>296,749</u>	<u>662,333</u>
Operating loss . . . . .	<u>(129,193)</u>	<u>(11,833)</u>	<u>(141,026)</u>
Nonoperating revenues:			
Operating grants . . . . .	86,062	-	86,062
Federal commodities . . . . .	38,031	-	38,031
Interest revenue . . . . .	43	192	235
Gain on the sale of assets . . . . .	24	-	24
Miscellaneous . . . . .	<u>432</u>	<u>-</u>	<u>432</u>
Total nonoperating revenues . . . . .	<u>124,592</u>	<u>192</u>	<u>124,784</u>
Net loss before capital contributions . . . . .	(4,601)	(11,641)	(16,242)
Capital contributions . . . . .	<u>7,164</u>	<u>-</u>	<u>7,164</u>
Net income (loss) . . . . .	2,563	(11,641)	(9,078)
Retained earnings (accumulated deficit) (restated), July 1 . . . . .	<u>(43,286)</u>	<u>11,641</u>	<u>(31,645)</u>
Retained earnings (accumulated deficit), June 30 .	<u>\$ (40,723)</u>	<u>\$ -</u>	<u>\$ (40,723)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from sales/service charges . . . . .	\$ 236,379	\$ 284,916	\$ 521,295
Cash payments for personal services . . . . .	(194,115)	-	(194,115)
Cash payments for contract services . . . . .	(14,331)	(39,099)	(53,430)
Cash payments for materials and supplies . . . . .	(110,477)	-	(110,477)
Cash payments for claims expenses . . . . .	-	(358,401)	(358,401)
Cash payments for other expenses . . . . .	(307)	-	(307)
	(82,851)	(112,584)	(195,435)
Net cash used in operating activities . . . . .			
Cash flows from noncapital financing activities:			
Cash received from operating grants . . . . .	86,062	-	86,062
Cash received from nonoperating activities . . . . .	432	-	432
	86,494	-	86,494
Net cash provided by noncapital financing activities . . . . .			
Cash flows from capital and related financing activities:			
Gain on sale of capital assets . . . . .	24	-	24
	24	-	24
Net cash used in capital and related financing activities . . . . .			
Cash flows from investing activities:			
Interest received . . . . .	43	192	235
	43	192	235
Net cash provided by investing activities . . . . .			
Net increase (decrease) in cash and cash equivalents . . . . .	3,710	(112,392)	(108,682)
Cash and cash equivalents at beginning of year . . . . .	12,582	112,392	124,974
Cash and cash equivalents at end of year . . . . .	\$ 16,292	\$ -	\$ 16,292
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss . . . . .	\$ (129,193)	\$ (11,833)	\$ (141,026)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation . . . . .	1,259	-	1,259
Federal donated commodities . . . . .	38,031	-	38,031
Changes in assets and liabilities:			
Increase in accounts receivable . . . . .	(12)	-	(12)
Decrease in materials and supplies inventory . . . . .	1	-	1
Decrease in inventory held for resale . . . . .	1,836	-	1,836
Increase in accrued wages and benefits . . . . .	5,287	-	5,287
Increase in compensated absences payable . . . . .	2,426	-	2,426
Increase in intergovernmental payable . . . . .	873	-	873
Decrease in claims payable . . . . .	-	(100,751)	(100,751)
Decrease in deferred revenue . . . . .	(3,359)	-	(3,359)
	(82,851)	(112,584)	(195,435)
Net cash used in operating activities . . . . .	\$ (82,851)	\$ (112,584)	\$ (195,435)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District ranks as the 429<sup>th</sup> largest by enrollment among the 740 public and community school districts in the state, and 7<sup>th</sup> largest in Tuscarawas County. The District is staffed by 55 non-certificated employees, 98 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,243 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

*JOINTLY GOVERNED ORGANIZATIONS*

Buckeye Joint Vocational School District

The Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School District's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School District's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Joint Vocational School District. Each participating District's control is limited to its representation on the Joint Vocational School District's Board of Education. During fiscal 2003, no monies were paid to the Joint Vocational School District from the District.

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The OME-RESA is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by forty-five member school districts in eleven different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located in the Jefferson County School building in Steubenville, Ohio. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to Section 5705.62 of the Ohio Revised Code. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, 1 member from the county auditor's office and 8 members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this TCTIRC. The continued existence of the TCTIRC is not dependent on the District's continued participation and no measurable equity interest exists.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

*PUBLIC ENTITY RISK POOLS*

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

East Ohio Schools Employees Insurance Consortium

The East Ohio Schools Employees Insurance Consortium (the "Consortium") is an insurance pool between the District, Dover City School District and Buckeye Joint Vocational School that was formed on October 1, 2002. The Consortium was established in order to act as a common risk management and insurance program. The Consortium's Board of Directors is comprised of one member from each of the districts (the Superintendent or designee). Refer to Note 12C for further information on the Consortium.

**B. Basis of Presentation - Fund Accounting**

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

*Governmental Fund Types:*

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

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

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

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

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Proprietary Fund Types:*

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

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

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 District on a cost reimbursement basis.

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure identifying items which would be subject to accrual for other fund types (see Note 3C).

*Account Groups:*

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District, except those accounted for in the proprietary funds.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year-end.

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

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as revenue.

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

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code (ORC) and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

*Tax Budget:*

Tuscarawas County has waived the Requirement of the formal tax budget. The County Budget Commission requires tax levy fund information and summary data for all funds to be submitted to the County Auditor as Secretary of the County Budget Commission, by April 1<sup>st</sup> of each year, for the period July 1 to June 30 of the following year.

*Estimated Resources:*

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Appropriations:*

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. All supplemental appropriations were legally enacted by the Board during fiscal 2003.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the GPFS for proprietary funds.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Lapsing of Appropriations:*

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

**E. Cash and Investments**

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

During fiscal year 2003, investments were limited to STAR Ohio and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$36,702, which includes \$11,163 assigned from other District funds.

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

An analysis of the District's investments at year-end is provided in Note 4.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. At June 30, 2003, there were no significant inventory balances in the governmental funds. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. During fiscal year 2003, the District changed its capitalization threshold from \$500 to \$25,000 for land improvements and buildings and improvements, and from \$500 to \$1,500 for furniture fixtures and equipment and vehicles. The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of twenty years.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Compensated Absences**

The District follows the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability is an estimate based on the District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**I. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside that are restricted in use by state statute. A fund balance reserve has also been established. See Note 17 for detail of statutory reserves.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than 60 days after year-end are considered not to have been made with current available financial resources. Bonds, long-term notes, and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**K. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 2003.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2003.

An analysis of interfund transactions is presented in Note 5.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, tax advance unavailable for appropriation, Bureau of Workers' Compensation (BWC) refunds, and bus purchase allowance. The reserve for tax advance unavailable for appropriation represents property taxes recognized as revenue under GAAP, but not available for appropriations under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**M. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at year-end. There were capital contributions of \$7,164 received by the enterprise funds in 2003. Contributed capital in the enterprise funds at June 30, 2003, is \$28,156.

Because the District did not prepare GPFS in accordance with GAAP prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined GPFS. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**N. Estimates**

The preparation of the GPFS in conformity with GAAP 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.

**O. Total Columns on General Purpose Financial Statements**

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate additional financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Restatement of Balances**

During fiscal year 2003, the District changed its capitalization threshold (See Note 2G for detail). Due to the change in capitalization threshold, an adjustment is required to restate the general fixed asset account group (see Note 8) and the retained earnings in the Food Service enterprise fund. The adjustment had the following effect on retained earnings as previously reported as of June 30, 2002:

	<u>Enterprise</u>
Accumulated deficit as previously reported	\$(33,632)
Restatement for change in capitalization criteria	<u>(9,654)</u>
Restated retained earnings as of July 1, 2002	<u><u>\$(43,286)</u></u>

There was no material effect on net income at June 30, 2003 as a result of these adjustments.

**B. Deficit Fund Balances/Retained Earnings**

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

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
EMIS	\$ 9
Title VI-B	25
 <u>Enterprise Fund</u>	
Food Service	40,723

These funds complied with Ohio state law which does not permit a cash basis deficit at year-end.

The deficit fund balances in the EMIS and Title VI-B special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The deficit retained earnings in the Food Service enterprise fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, pension obligations and compensated absences attributable to the fiscal year. This deficit balances will be eliminated by user fees or other subsidies not recognized and recorded at June 30.

**C. Agency Funds**

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

<u>ASSETS</u>	
Accounts receivable	\$ 85
<u>LIABILITIES</u>	
Accounts payable	715

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

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

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

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

*Deposits:* At fiscal year-end, the carrying amount of the District's deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$562,782 and the bank balances, including nonnegotiable certificates of deposit was \$586,077. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$201,077 was collateralized with securities held by the financial institution's trust department or agent in the entity's name; and
3. \$85,000 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$147,667</u>	\$147,667	\$147,667
Investment in STAR Ohio		<u>692,461</u>	<u>692,461</u>
Total investments		<u>\$840,128</u>	<u>\$840,128</u>

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

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No 9	\$1,402,910	\$ -
Investments of the cash management pool:		
Repurchase agreement	(147,667)	147,667
Investment in STAR Ohio	<u>(692,461)</u>	<u>692,461</u>
GASB Statement No. 3	<u>\$ 562,782</u>	<u>\$840,128</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the District's operating transfers for fiscal year 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
	\$ -	\$10,000
<u>Special Revenue Fund</u>		
Other Grant	<u>10,000</u>	<u>-</u>
Total	<u>\$10,000</u>	<u>\$10,000</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. While the District's fiscal year operates from June through July, real property tax collections by the County are remitted to the District a year after they are assessed by the County.

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The assessed value upon which the 2002 taxes were collected was \$164,153,417. Agricultural/residential and minerals real estate represented 64.02% or \$105,090,140 of this total; commercial & industrial real estate represented 16.62% or \$27,284,270 of this total, public utility tangible represented 3.72% or \$6,098,870 of this total and general tangible property represented 15.64% or \$25,680,137 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$41.7 per \$1,000.00 of assessed valuation for operations, \$2.00 per \$1,000.00 of assessed valuation for permanent improvements and \$1.3 per \$1,000.00 of assessed valuation for debt service.

The District receives property taxes from Tuscarawas, Coshocton and Holmes Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance, and recorded as revenue, at June 30, 2003, was \$316,050 in the general fund, \$17,524 in the debt service fund and \$18,365 in the Permanent Improvement capital projects fund.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2003, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). 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 fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$3,700,802
Accounts	468
Accrued interest	718
<u>Special Revenue Funds</u>	
Accounts	713
Intergovernmental	58,166
<u>Debt Service Fund</u>	
Taxes - current and delinquent	239,659
<u>Capital Projects Fund</u>	
Taxes - current and delinquent	210,282
<u>Enterprise Fund</u>	
Accounts	12

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 8 - FIXED ASSETS**

A. A summary of the enterprise funds' fixed assets at June 30, 2003, as follows:

Furniture and equipment	\$ 48,843
Less: accumulated depreciation	<u>(24,812)</u>
Net fixed assets	<u>\$ 24,031</u>

B. General Fixed Assets

The general fixed assets account group has been restated as of July 1, 2002 due to an increase in the District's capitalization threshold. The increase in capitalization threshold had the following effect on the balances previously reported in the general fixed asset account group:

<u>Asset Category</u>	<u>Balance June 30, 2002</u>	<u>Adjustment</u>	<u>Restated Balance July 1, 2002</u>
Land	\$ 72,005	\$ -	\$ 72,005
Land improvements	137,090	(103,700)	33,390
Buildings and improvements	5,106,434	(529,094)	4,577,340
Furniture, fixtures and equipment	1,583,125	(826,773)	756,352
Vehicles	<u>761,335</u>	<u>-</u>	<u>761,335</u>
Total	<u>\$7,659,989</u>	<u>\$(1,459,567)</u>	<u>\$6,200,422</u>

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

<u>Asset Category</u>	<u>Restated Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Land	\$ 72,005	\$ -	\$ -	\$ 72,005
Land improvements	33,390	-	-	33,390
Buildings and improvements	4,577,340	49,177	-	4,626,517
Furniture, fixtures and equipment	756,352	36,618	(47,312)	745,658
Vehicles	<u>761,335</u>	<u>120,916</u>	<u>(90,489)</u>	<u>791,762</u>
Total	<u>\$6,200,422</u>	<u>\$206,711</u>	<u>\$(137,801)</u>	<u>\$6,269,332</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into a capitalized lease for a football sled. This lease met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined GPFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The final principal payment of \$925 was made during fiscal year 2003 from the Athletic special revenue fund.

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

	Balance Outstanding <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	Balance Outstanding <u>June 30, 2003</u>
General obligation bond:				
School Facilities - 7.3%	\$1,665,000	\$ -	\$ (90,000)	\$1,575,000
Energy conservation note	444,061	-	(24,702)	419,359
Capital lease obligation	925	-	(925)	-
Pension obligation	56,763	60,733	(56,763)	60,733
Compensated absences	<u>309,450</u>	<u>138,458</u>	<u>(47,384)</u>	<u>400,524</u>
Total general long-term obligations	<u>\$2,476,199</u>	<u>\$199,191</u>	<u>\$ (219,774)</u>	<u>\$2,455,616</u>

*General Obligation Bond* - The District issued the voted general obligation bond for the purpose of constructing a high school building. The bond was issued for a twenty-four year period with final maturity at December 1, 2014. The bond will be retired from the debt service fund.



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

*Energy Conservation Note* - On June 8, 2000, the District issued a \$491,501 energy conservation note in accordance with Section 3313.372, Ohio Revised Code, and House Bill 264. This note bears an interest rate of 5.25% and matures on May 8, 2015. The primary source of repayment of this note is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year-end is accounted for in the general long-term obligations account group.

Capital leases will be paid from the debt service fund and the Athletic special revenue fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

**B. Principal and interest requirements** to retire the general obligation bond and energy conservation note outstanding at June 30, 2003, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Bonds/Notes</u>	<u>Interest on Bonds/Notes</u>	<u>Total</u>
2004	\$ 125,971	\$131,256	\$ 257,227
2005	127,426	122,601	250,027
2006	128,901	113,926	242,827
2007	135,455	104,992	240,447
2008	147,052	95,475	242,527
2009 - 2013	888,255	309,880	1,198,135
2014 - 2015	<u>441,299</u>	<u>30,702</u>	<u>472,001</u>
Total	<u>\$1,994,359</u>	<u>\$908,832</u>	<u>\$2,903,191</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$13,384,799 (including available funds of \$185,991) and an unvoted debt margin of \$164,153.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 11 - 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 248 days or more per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment or retirement. Administrators, teachers and classified employees who work less than 248 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 to a maximum of 212 days for certified employees and 215 days for classified employees. Upon termination of employment or retirement, a certified employee or administrator receives payment for one-fourth of the total sick leave accumulation up to a maximum accumulation of 49 days. Upon termination of employment or retirement, a classified employee is paid for one-fourth of the total sick leave accumulation to a maximum accumulation of 48 days.

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to employees through the Sun Life Assurance Company of Canada of \$15,000 and \$7,500 for full-time and part-time certified employees, respectively, of \$18,000 and \$9,000 for full-time and part-time classified employees, respectively, and \$15,000 for the Superintendent and \$50,000 for the Treasurer.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with Indiana Insurance Company for property insurance, and fleet insurance. Coverages provided and deductibles are as follows:

Building and Contents - replacement cost (\$500 deductible)	\$27,895,858
Inland Marine Coverage (\$250 deductible)	306,036
Boiler and Machinery (\$500 deductible)	27,895,858
Automobile Liability (no deductible)	1,000,000
Uninsured Motorists (no deductible)	1,000,000

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

Professional liability is protected by the Ohio School Plan with a \$1,000,000 single occurrence limit, a \$3,000,000 aggregate limit, and no deductible. The Travelers Casualty and Surety Company of America also maintains \$20,000 public official bonds for the Board President, Board Vice-President, Superintendent, Assistant Treasurer, and Athletic Director. The Nationwide/Agribusiness Insurance Company maintains a \$25,000 bond for the Treasurer. In addition, the Ohio Casualty Insurance Company provides an \$8,000 public blanket bond for other employees.

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

**B. Workers' Compensation**

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2A). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP. The District paid \$1,833 in administrative fees for fiscal year 2003.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**C. Employee Group Life, Medical, Dental, and Vision Insurance**

The District provided employee medical/surgical benefits through a self-insured plan and maintained a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program through September 30, 2002.

Effective October 1, 2002 the District formed the East Ohio Schools Employees Insurance Consortium as a charter member with two other local school districts. For certified and classified employees, the Consortium provides medical/surgical coverage which is same as classified. For classified employees, the plan provides medical/surgical coverage which is 100% in-network and 90% out-of-network paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family annual deductible in-network and \$200 individual and \$400 family annual deductible out-of-network, followed by a 90% in-network and 80% out-of-network employee co-payment to a \$250 per person and \$500 per family in-network and \$500 per person and \$1,000 per family out-of-network out-of-pocket maximum. A third party administrator, Klais & Company, Inc., of Akron, Ohio, reviews all claims which are then paid by the Consortium. The Consortium purchases stop-loss coverage of \$100,000 per individual from Excess Benefits, Inc. The District also provides dental and vision coverage through the Consortium. The premiums are paid by the District at a rate of 90% for full-time employees and 50% for part-time employees. The premium is paid by the fund that paid the salary for the employee.

Total required monthly premiums for coverage are as follows:

	<u>Family</u>	<u>Individual</u>
Medical/Surgical	\$698.43	\$279.37
Dental	54.13	21.65
Vision	6.60	2.64

The District had no claims liability reported in the internal service fund at June 30, 2003. Changes in claims activity for the current fiscal year and past year are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
2003	\$100,751	\$257,650	(\$358,401)	\$0
2002	111,449	704,940	(715,638)	100,751

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 13- DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 43215-3476.

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 \$149,728, \$142,774 and \$139,348 respectively; 46.19 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**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 to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 13- DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was 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% for members and 14% 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 \$ 595,159, \$ 571,288, and \$531,500 respectively; 83.74 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 13- DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees are not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2003, three members of the Board of Education have selected social security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$42,511 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182.947 million and the target level was \$274.4 million. At June 30, 2002 (the latest information available), SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$62,352 during the 2003 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types 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 that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Excess (Deficiency) of Revenues and Other Financing Sources  
Over/(Under) Expenditures and Other Financing Uses**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(1,014,790)	\$ 12,307	\$ 5,459	\$(34,120)
Net adjustment for revenue accruals	115,927	(19,437)	5,285	6,273
Net adjustment for expenditure accruals	(127,661)	(37,020)	-	48
Net adjustment for other financing sources/(uses) accruals	(5,549)	455	-	-
Encumbrances (budget basis)	<u>96,098</u>	<u>67,057</u>	<u>-</u>	<u>56,909</u>
GAAP basis	<u>\$ (935,975)</u>	<u>\$ 23,362</u>	<u>\$10,744</u>	<u>\$ 29,110</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 16 – CONTINGENCIES – (Continued)**

**B. Litigation**

The District is not involved in significant litigation as either plaintiff or defendant.

**C. State School Funding Decision**

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

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

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2002	\$ (88,113)	\$ -	\$40,124
Current year set-aside requirement	167,597	167,597	-
Current year offsets	(51,921)	(182,484)	-
Qualifying disbursements	<u>(201,035)</u>	<u>(67,324)</u>	<u>-</u>
Total	<u>\$(173,472)</u>	<u>\$( 82,211)</u>	<u>\$40,124</u>
Cash balance carried forward to FY 2004	<u>\$(173,472)</u>	<u>\$ -</u>	<u>\$40,124</u>

Monies representing Bureau of Workers' Compensation (BWC) refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 17 - STATUTORY RESERVES - (Continued)**

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of restricted assets at June 30, 2003, follows:

Amount restricted for BWC refunds	\$40,124
Amount restricted for school bus purchases	<u>36,567</u>
Total	<u>\$76,691</u>

**NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS**

An 8.8 mills emergency operating levy was defeated on the May 6, 2003 and November 4, 2003 election ballot. This levy was to be effective with the 2003 tax duplicate and continuing for 5 years generating \$1,445,725 annually. The District will again place the levy on the March 2004 ballot for approval.

Since the above emergency levy failed the November election, the District would experience a year end deficit at June 30, 2004. Therefore, a \$421,312 cost reduction plan has been implemented for fiscal year 2004 and continuing for 5 years. Also, additional cost reductions and budget adjustments in the amount of \$509,033 have been forecasted for fiscal year 2004 to eliminate the year-end deficit.

The current negotiated agreement with OAPSE expired June 30, 2003. On June 30, 2003 the Board of Education approved a negotiated agreement with OAPSE for one year, July 1, 2003 through June 30, 2004, maintaining the contract language including fringe benefits as in the expiring contract and allowing for a re-opener on the wage rate schedule no later than December 15, 2003 with retroactivity to July 1, 2003 for any wage increase agreed upon for the term of the agreement.

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**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

Federal Grantor/ <i>Pass Through Grantor/ Program Title</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department Of Agriculture</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: National School Lunch Program	N/A	10.555	\$83,306	\$0	\$83,306	\$0
Food Donation	N/A	10.550	0	34,672	0	34,675
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>83,306</u>	<u>34,672</u>	<u>83,306</u>	<u>34,675</u>
<b>U.S. Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-02	84.010	50,307	0	76,782	0
	C1-S1-03		240,337	0	210,987	0
Total Title I Grants to Local Educational Agencies			<u>290,644</u>	<u>0</u>	<u>287,769</u>	<u>0</u>
Innovative Education Program Strategies	C2-S1-02	84.298	4,493	0	6,336	0
	C2-S1-03		6,690	0	4,586	0
Total Innovative Education Program Strategies			<u>11,183</u>	<u>0</u>	<u>10,922</u>	<u>0</u>
Special Education_Grants to States	6B-SF-02	84.027	23,574	0	34,277	0
	6B-SF-03		133,770	0	121,534	0
Total Special Education_Grants to States			<u>157,344</u>	<u>0</u>	<u>155,811</u>	<u>0</u>
Class Size Reduction	CR-S1-02	84.340	4,545	0	9,482	0
Improving Teacher Quality State Grants	TR-S1-03	84.367	33,809	0	31,159	0
Safe and Drug-Free Schools and Communities_ State Grants	DR-S1-03	84.186	7,309	0	7,309	0
Education Technology State	TJ-S1-03	84.318	3,224	0	3,224	0
School Renovation Grants	AT-S4-02	84.352	7,203	0	0	0
Total U.S. Department of Education			<u>515,261</u>	<u>0</u>	<u>505,676</u>	<u>0</u>
<b>Total</b>			<u><b>\$598,567</b></u>	<u><b>\$34,672</b></u>	<u><b>\$588,982</b></u>	<u><b>\$34,675</b></u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) is a summary of the activity 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.

**NOTE C – TRANSFERABILITY OF FEDERAL FUNDS**

During 2003, the District made the following reallocations from original budgeted federal programs to other federal programs approved by the Ohio Department of Education:

<u>Fund</u>	<u>CFDA Number</u>	<u>Reallocations</u>
Title I – Grants to Local Educational Agencies	84.010	\$28,950
Improving Teacher Quality State Grants	84.367	(26,200)
Educational Technology State Grants	84.318	<u>(2,750)</u>
Total		<u><u>\$0</u></u>

The Schedule reports the reallocated expenditures in the receiving program ultimately authorized to receive and disburse the monies.



**Auditor of State  
Betty Montgomery**

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

Garaway Local School District  
Tuscarawas County  
146 Dover Avenue  
Box 339  
Sugarcreek, Ohio 44681

To the Board of Education:

We have audited the general purpose financial statements of the Garaway Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 24, 2003 in which we noted the District changed its fixed asset capitalization threshold. 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*.

**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 management of the District in a separate letter dated November 24, 2003.

111 Second St., NW / Fourth Floor / Canton, OH 44702  
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Garaway Local School District  
Tuscarawas County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

November 24, 2003





**Auditor of State  
Betty Montgomery**

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

Garaway Local School District  
Tuscarawas County  
146 Dover Avenue  
Box 339  
Sugarcreek, Ohio 44681

To the Board of Education:

**Compliance**

We have audited the compliance of the Garaway Local School District, Tuscarawas 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 of 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 the internal control over compliance in accordance with OMB Circular A-133.

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

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

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

**Betty Montgomery**  
Auditor of State

November 24, 2003

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
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**GARAWAY LOCAL SCHOOL DISTRICT**

**TUSCARAWAS 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 15, 2004**