



**Auditor of State
Betty Montgomery**

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

Table of Contents

Title	Page
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual Comparison - General Fund	17
Statement of Net Assets - Fiduciary Funds	18
Notes to the Basic Financial Statements	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Antwerp Local School District
Paulding County
303 South Harrmann Drive
Antwerp, Ohio 45813-9574

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Antwerp Local School District, Paulding County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Antwerp Local School District, Paulding County, Ohio, as of June 30, 2004, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and changed its policy regarding capital asset capitalization.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2005, 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the accounting principles generally accepted in the United States requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

April 15, 2005

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

The discussion and analysis of Antwerp Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- In total, net assets increased \$107,581.
- General revenues accounted for \$5,293,378, or 90 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$247,942 or 4 percent of total revenues of \$5,902,284.
- The District's major funds are the General Fund and the Classroom Facilities Fund. The General Fund had \$4,797,571 in revenues and \$5,172,718 in expenditures. The General Fund's balance decreased \$375,147 from the prior fiscal year. The Classroom Facilities Fund had \$353,469 in revenues and \$5,942,847 in expenditures. The Classroom Facilities Fund's balance decreased \$5,589,378 from the prior fiscal year.
- The revenue generated from the Debt Service Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund and the Classroom Facilities Fund are the only two major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Classroom Facilities Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

Table 1
Net Assets
Governmental Activities

	2004
Assets:	
Current and Other Assets	\$ 5,625,572
Capital Assets, Net	20,852,102
<i>Total Assets</i>	26,477,674
 Liabilities:	
Current and Other Liabilities	2,407,493
Long-Term Liabilities	3,712,776
<i>Total Liabilities</i>	6,120,269
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	17,489,916
Restricted	2,383,722
Unrestricted	483,767
<i>Total</i>	\$ 20,357,405

Table 2 reflects the changes in net assets for fiscal year 2004. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2003. A comparative analysis will be provided in future years when prior year information is available. Comparisons to 2003 have not been presented since they are not available. A comparative analysis will be provided in future years when prior information is available.

Table 2
Change in Net Assets
Governmental Activities

	2004
Revenues:	
Program Revenues:	
Charges for Services and Sales	\$ 340,889
Operating Grants, Contributions and Interest	247,942
Capital Grants and Contributions	20,075
<i>Total Program Revenues</i>	608,906

(Continued)

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 2 (Continued)
Change in Net Assets
Governmental Activities

	2004
Revenues:	
General Revenues:	
Property Taxes	1,469,021
Income Taxes	441,097
Grants and Entitlements	3,197,701
Interest	61,167
Miscellaneous	124,392
<i>Total General Revenues</i>	5,293,378
<i>Total Revenues</i>	5,902,284
 Expenses:	
Instruction	3,159,557
Support Services:	
Pupils	226,781
Instructional Staff	343,131
Board of Education	7,248
Administration	594,152
Fiscal	185,788
Business	7,702
Operation and Maintenance of Plant	415,023
Pupil Transportation	236,756
Non-Instructional	89,473
Extracurricular Activities	235,074
Capital Outlay	142,809
Interest and Fiscal Charges	151,209
<i>Total Expenses</i>	5,794,703
<i>Increase in Net Assets</i>	\$ 107,581

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Comparisons to 2003 have not been presented since they are not available. A comparative analysis will be provided in future years when prior information is available.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2004	2004
Instruction	\$ 3,159,557	\$ 2,855,746
Support Services:		
Pupils	226,781	226,781
Instructional Staff	343,131	321,360
Board of Education	7,248	7,248
Administration	594,152	583,547
Fiscal	185,788	179,230
Business	7,702	7,702
Operation and Maintenance of Plant	415,023	415,023
Pupil Transportation	236,756	236,756
Non-Instructional	89,473	(62,129)
Extracurricular Activities	235,074	140,590
Capital Outlay	142,809	122,734
Interest and Fiscal Charges	151,209	151,209
<i>Total Expenses</i>	<u>\$ 5,794,703</u>	<u>\$ 5,185,797</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 90 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 89 percent. The remaining 11 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Classroom Facilities Fund. The fund balance of the General Fund decreased \$375,147 mainly due to a decrease in state foundation receipts. The Classroom Facilities fund balance decreased \$5,589,378 due to the construction cost of the new school building.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the District amended its General Fund budget as needed. Final expenditures were budgeted at \$5,159,525 while actual expenditures were \$5,159,527.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$20,852,102 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see notes to the basic financial statements.

Debt

At June 30, 2004, the District had \$3,079,606 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-two year period, with final maturity on December 1, 2022. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2004, the District had \$17,188 in an asbestos removal loan for removing asbestos from older buildings. The Asbestos Loan was entered into in 1988 through the United States Environmental Protection Agency. The purpose of this loan was to provide revenues for the removal of asbestos from school buildings. This interest free promissory note will mature in fiscal year 2008. The loan is being retired through the Bond Retirement Debt Service Fund.

At June 30, 2004, the District had \$324,000 in a permanent improvement loan for repairs and maintenance on buildings. The loan will mature on December 31, 2006. The loan is being retired through the Bond Retirement Debt Service Fund.

At June 30, 2004, the District's overall legal debt margin was (\$812,717), with an un-voted debt margin of \$24,536.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Antwerp is a small rural community of 1,850 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 43.5 percent of District revenue sources are from local funds, 54.5 percent from state funds, and the remaining 2 percent is from federal funds. The total expenditure per pupil was calculated at \$18,291.

In November 2000, the District passed a five year 2.9 mill permanent improvement levy to generate \$148,000 annually. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jane Limber, Treasurer, Antwerp Local School District, 303 S. Harrmann Road, Antwerp, Ohio 45813.

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**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Net Assets
June 30, 2004**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,484,247
Cash and Cash Equivalents with Fiscal Agents	14,817
Materials and Supplies Inventory	4,177
Accrued Interest Receivable	265
Intergovernmental Receivable	19,115
Income Taxes Receivable	206,026
Taxes Receivable	1,896,925
Non-Depreciable Capital Assets	786,193
Depreciable Capital Assets, net	<u>20,065,909</u>
<i>Total Assets</i>	<u><u>26,477,674</u></u>
 Liabilities	
Accounts Payable	4,955
Accrued Wages and Benefits	504,883
Intergovernmental Payable	112,034
Accrued Interest Payable	10,614
Deferred Revenue	1,775,007
Long-Term Liabilities:	
Due Within One Year	130,000
Due in More Than One Year	<u>3,582,776</u>
<i>Total Liabilities</i>	<u><u>6,120,269</u></u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	17,489,916
Restricted for Debt Service	133,815
Restricted for Capital Outlay	1,907,299
Restricted for Other Purposes	342,608
Unrestricted	<u>483,767</u>
<i>Total Net Assets</i>	<u><u>\$ 20,357,405</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2004**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 2,763,627	\$ 94,803	\$ 67,522		\$ (2,601,302)
Special	374,332		141,486		(232,846)
Adult/Continuing	5,000				(5,000)
Other	16,598				(16,598)
Support Services:					
Pupils	226,781				(226,781)
Instructional Staff	343,131		21,771		(321,360)
Board of Education	7,248				(7,248)
Administration	594,152		10,605		(583,547)
Fiscal	185,788		6,558		(179,230)
Business	7,702				(7,702)
Operation and Maintenance of Plant	415,023				(415,023)
Pupil Transportation	236,756				(236,756)
Operation of Non-Instructional Services	89,473	151,602			62,129
Extracurricular Activities	235,074	94,484			(140,590)
Capital Outlay	142,809			\$ 20,075	(122,734)
Debt Service:					
Interest and Fiscal Charges	151,209				(151,209)
<i>Totals</i>	<u>\$ 5,794,703</u>	<u>\$ 340,889</u>	<u>\$ 247,942</u>	<u>\$ 20,075</u>	<u>(5,185,797)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	1,124,907
Property Taxes, Levied for Capital Outlay	129,537
Property Taxes, Levied for Debt Service	214,577
Income Taxes	441,097
Grants and Entitlements not Restricted to Specific Programs	3,197,701
Investment Earnings	61,167
Miscellaneous	124,392
<i>Total General Revenues</i>	<u>5,293,378</u>
<i>Change in Net Assets</i>	107,581
Net Assets Beginning of Year (See Note 3)	20,249,824
<i>Net Assets End of Year</i>	<u>\$ 20,357,405</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2004**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,122,198	\$ 1,597,004	\$ 751,488	\$ 3,470,690
Cash and Cash Equivalents with Fiscal Agents			14,817	14,817
Materials and Supplies Inventory			4,177	4,177
Accrued Interest Receivable	265			265
Intergovernmental Receivable		19,115		19,115
Income Taxes Receivable	206,026			206,026
Taxes Receivable	1,529,531		367,394	1,896,925
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	13,557			13,557
Total Assets	<u>\$ 2,871,577</u>	<u>\$ 1,616,119</u>	<u>\$ 1,137,876</u>	<u>\$ 5,625,572</u>
Liabilities				
Accounts Payable	\$ 4,432		\$ 523	\$ 4,955
Accrued Wages and Benefits	483,093		21,790	504,883
Intergovernmental Payable	75,380		950	76,330
Deferred Revenue	1,479,725		338,800	1,818,525
Tax Anticipation Note Payable			324,000	324,000
Total Liabilities	<u>2,042,630</u>		<u>686,063</u>	<u>2,728,693</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	29,441	\$ 326,883	34,941	391,265
Reserved for Inventory			4,177	4,177
Reserved for Property Taxes	79,414		28,594	108,008
Reserved for Budget Stabilization	13,557			13,557
Unreserved, Undesignated, Reported in:				
General Fund	706,535			706,535
Special Revenue Funds			329,877	329,877
Debt Service Funds			124,449	124,449
Capital Projects Funds		1,289,236	(70,225)	1,219,011
Total Fund Balances	<u>828,947</u>	<u>1,616,119</u>	<u>451,813</u>	<u>2,896,879</u>
Total Liabilities and Fund Balances	<u>\$ 2,871,577</u>	<u>\$ 1,616,119</u>	<u>\$ 1,137,876</u>	<u>\$ 5,625,572</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004**

Total Governmental Fund Balances	\$ 2,896,879
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	20,852,102
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.	43,518
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.	(35,704)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
Accrued Interest Payable	(10,614)
General Obligation Bonds Payable	(3,096,794)
Compensated Absences Payable	<u>(291,982)</u>
	<u>(3,399,390)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 20,357,405</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property and Other Local Taxes	\$ 1,130,713		\$ 364,324	\$ 1,495,037
Income Tax	386,300		25,189	411,489
Intergovernmental	3,088,605	\$ 173,368	357,998	3,619,971
Interest	21,252	38,848	1,067	61,167
Tuition and Fees	54,788		52,130	106,918
Rent	973			973
Extracurricular Activities			94,484	94,484
Customer Sales and Services			138,514	138,514
Miscellaneous	114,940		9,452	124,392
<i>Total Revenues</i>	<u>4,797,571</u>	<u>212,216</u>	<u>1,043,158</u>	<u>6,052,945</u>
Expenditures				
Current:				
Instruction:				
Regular	2,785,369	35,806	118,222	2,939,397
Special	337,959		145,033	482,992
Adult/Continuing	5,000			5,000
Other	8,609		7,872	16,481
Support Services:				
Pupils	228,765			228,765
Instructional Staff	307,285		21,865	329,150
Board of Education	7,248			7,248
Administration	567,106	466	10,605	578,177
Fiscal	153,975	90	27,673	181,738
Business		7,702		7,702
Operation and Maintenance of Plant	438,701	9,416	6,489	454,606
Pupil Transportation	185,496			185,496
Operation of Non-Instructional Services			225,844	225,844
Extracurricular Activities	147,205		96,481	243,686
Capital Outlay		5,748,114	415,237	6,163,351
Debt Service:				
Principal			125,000	125,000
Interest			131,953	131,953
<i>Total Expenditures</i>	<u>5,172,718</u>	<u>5,801,594</u>	<u>1,332,274</u>	<u>12,306,586</u>
<i>Net Change in Fund Balances</i>	(375,147)	(5,589,378)	(289,116)	(6,253,641)
Fund Balance at Beginning of Year (See Note 3)	1,204,094	7,205,497	740,929	9,150,520
<i>Fund Balance at End of Year</i>	<u>\$ 828,947</u>	<u>\$ 1,616,119</u>	<u>\$ 451,813</u>	<u>\$ 2,896,879</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds		\$ (6,253,641)
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	7,018,027	
Depreciation	<u>(164,447)</u>	6,853,580
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.</p>		
Loss on Disposal of Capital Assets		(269,047)
<p>Revenues in the governmental funds that were previously recognized on the accrual basis are not reported on the statement of activities</p>		
		(295,506)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Income Taxes	29,608	
Delinquent Property Taxes	<u>(26,016)</u>	3,592
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.</p>		
		125,000
<p>Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds.</p>		
		(19,256)
<p>Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Intergovernmental Payable	(5,854)	
Compensated Absences Payable	<u>(31,287)</u>	(37,141)
<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ 107,581</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison
General Fund
For the Fiscal Year Ended June 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
Revenues				
Property and Other Local Taxes	\$ 1,195,773	\$ 1,132,958	\$ 1,132,958	
Income Tax	421,418	385,362	385,362	
Intergovernmental	3,238,042	3,088,605	3,088,605	
Interest	43,195	21,601	21,601	
Tuition and Fees	56,276	54,788	54,788	
Rent	1,580	973	973	
Miscellaneous	2,107	113,280	113,280	
<i>Total Revenues</i>	<u>4,958,391</u>	<u>4,797,567</u>	<u>4,797,567</u>	
Expenditures				
Current:				
Instruction:				
Regular	2,939,018	2,709,853	2,709,854	\$ (1)
Special	1,000	337,962	337,962	
Adult/Continuing	5,000	5,000	5,000	
Other	12,000	8,684	8,684	
Support Services:				
Pupils	152,286	223,551	223,551	
Instructional Staff	277,578	327,346	327,346	
Board of Education	8,267	7,279	7,279	
Administration	980,198	548,389	548,389	
Fiscal	180,228	148,418	148,418	
Operation and Maintenance of Plant	478,649	436,755	436,756	(1)
Pupil Transportation	349,862	259,447	259,447	
Extracurricular Activities	148,100	146,841	146,841	
<i>Total Expenditures</i>	<u>5,532,186</u>	<u>5,159,525</u>	<u>5,159,527</u>	(2)
<i>Excess of Revenues Under Expenditures</i>	<u>(573,795)</u>	<u>(361,958)</u>	<u>(361,960)</u>	(2)
Other Financing Sources:				
Refund of Prior Year Expenditures		2,260	2,260	
<i>Net Change in Fund Balances</i>	(573,795)	(359,698)	(359,700)	(2)
<i>Fund Balance at Beginning of Year</i>	1,404,898	1,404,898	1,404,898	
Prior Year Encumbrances Appropriated	56,685	56,685	56,685	
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 887,788</u>	<u>\$ 1,101,885</u>	<u>\$ 1,101,883</u>	<u>\$ (2)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 40,995
<i>Total Assets</i>	<u>40,995</u>
Liabilities	
Undistributed Monies	<u>40,995</u>
<i>Total Liabilities</i>	<u>\$ 40,995</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Antwerp Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 29 non-certified and 55 certified full-time teaching personnel who provide services to 726 students and other community members.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements 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. This includes general operations, food service, and student related activities of the District.

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 does not have any component units.

The District is associated with five organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Vocational School, Paulding County School Council, Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Paulding County School Council Employees Insurance Benefits Program. These organizations are presented in Notes 17 and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Classroom Facilities Fund are the District's major governmental funds:

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

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for financial resources to be used for the acquisition or construction of new school buildings.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's Agency Funds account for various student managed activities.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "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. For the District, available means expected to be received within sixty days of fiscal year end.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level are made by the Treasurer.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

During fiscal year 2004, investments were limited to STAR Ohio.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$21,252, which includes \$9,563 assigned from other District funds.

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for budget stabilization.

I. Capital Assets

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

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

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

K. 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.

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

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

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

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

O. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

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

P. Estimates

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

Q. Pass-Through Grants

The Eisenhower and Handicapped Preschool special revenue funds are pass-through grants in which the Western Buckeye Educational Service Center is the primary recipient. In accordance with GASB Statement 24 "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2004, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments;" GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus;" GASB No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 37, and 38.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type on the government-wide financial statements. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, includes Managements' Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District restated the fund liability of compensated absences that had not matured during fiscal year 2003.

The District changed its capitalization threshold from five hundred dollars to one thousand dollars.

B. Restatement of Fund Balance

The restatements due to the implementation of the above statements and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Activities
Fund Balance June 30, 2003	\$ 1,203,547	\$ 7,205,497	\$ 549,887	\$ 8,958,931
GASB 34 Adjustments:				
Change in Fund Structure - Enterprise Fund			172,342	172,342
Interpretation 6 Adjustments:				
Compensated Absences Payable	547		18,700	19,247
Adjusted Fund Balance	<u>\$ 1,204,094</u>	<u>\$ 7,205,497</u>	<u>\$ 740,929</u>	<u>9,150,520</u>

(Continued)

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	(Continued)			
	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Activities
GASB 34 Adjustments:				
Intergovernmental Receivable				295,506
Taxes Receivable Deferred on Fund Level				39,926
Accrued Interest				(10,894)
Capital Assets				14,267,569
Long-Term Liabilities				(3,492,803)
Governmental Activities Net Assets at June 30, 2003				\$ 20,249,824
The restatement of the business type activity:				
Fund Equity June 30, 2003				\$ 191,610
GASB Statement 34 Adjustment:				
Change in Fund Structure				(191,610)
Business Activities Net Assets at June 30, 2003				\$ 0

4. BUDGETARY BASIS OF ACCOUNTING

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Net Change in Fund Balance	
Major Governmental Fund	
GAAP Basis	\$ (375,147)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	258,353
Accrued FY 2004, Not Yet Received in Cash	(258,357)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(515,842)
Accrued FY 2004, Not Yet Paid in Cash	565,165
Advances Net	
Encumbrances Outstanding at Year End (Budget Basis)	<u>(33,872)</u>
Budget Basis	<u><u>\$ (359,700)</u></u>

5. DEPOSITS AND INVESTMENTS

State statutes classify 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation,

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

- 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 any securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions;
 6. The State Treasurer's investment pool (STAR Ohio);
 7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time, and
 8. Under limited circumstances corporate debt interest rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse purchase 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$14,817 in Cash with Fiscal Agents held by Western Buckeye Educational Service Center, which is included on the Statement of Net Assets and Balance Sheet as "Cash and Cash Equivalents with Fiscal Agents."

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

A. Deposits

At the year-end, the carrying amount of the District's deposits was \$61,517 and the bank balance was \$264,354. Of the bank balance:

1. \$122,864 was covered by Federal Depository Insurance; and

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

2. \$141,490 was collateralized by securities specifically pledged by the financial institution in the name of the District.

B. Investments

The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District's name.

Investments as of June 30, 2004 were as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
STAR Ohio	<u>\$ 3,463,675</u>	<u>\$ 3,463,675</u>

The State Treasurer's Investment Pool (STAR Ohio) is not a categorized investment because it is not evidenced by securities that exist in physical or book entry form.

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

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements 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	\$ 3,540,059	
Cash on Hand	(50)	
Less Cash with Fiscal Agent	(14,817)	
Investments:		
STAR Ohio	(3,463,675)	\$ 3,463,675
GASB Statement No. 3	<u>\$ 61,517</u>	<u>\$ 3,463,675</u>

6. PROPERTY TAXES

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

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2004 were levied after April 1, 2003, on the assessed values as of December 31, 2002, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2004 operations. For the governmental fund financial statements, 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 was recognized as revenue.

The amount available as an advance at June 30, 2004, was \$79,414 in the General Fund, \$18,465 in the Debt Service Fund, and \$10,129 in the Capital Projects Fund. The amount available as an advance at June 30, 2003, was \$81,659 in the General Fund, \$18,943 in the Debt Service Fund, and \$10,396 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2004 taxes were collected are:

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 19,631,670	80%	\$ 19,842,635	81%
Industrial/Commercial	2,482,370	10%	2,489,760	10%
Public Utility	1,173,385	5%	1,140,745	5%
Tangible Personal	1,348,363	5%	1,063,317	4%
Total Assessed Value	<u>\$ 24,635,788</u>	<u>100%</u>	<u>\$ 24,536,457</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$ 49.25		\$ 49.25	

7. INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The permanent tax was approved by the voters on November 1990, and is effective January 1, 1991. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

8. RECEIVABLES

Receivables at June 30, 2004, consisted of property tax, income tax, intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The District had \$19,115 in intergovernmental receivables in the Classroom Facilities Fund at June 30, 2004.

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 786,193			\$ 786,193
<i>Total Nondepreciable Capital Assets</i>	<u>786,193</u>			<u>786,193</u>
Depreciable Capital Assets				
Land Improvements	112,764			112,764
Buildings and Building Improvements	14,281,576	\$6,162,296		20,443,872
Furniture, Fixtures, and Equipment	1,730,320	841,646	\$678,742	1,893,224
Vehicles	618,104	14,085	13,800	618,389
<i>Total Depreciable Capital Assets</i>	<u>16,742,764</u>	<u>7,018,027</u>	<u>692,542</u>	<u>23,068,249</u>

(Continued)

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

<u>Governmental Activities</u>	<u>Balance at 06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/04</u>
(Continued)				
Less Accumulated Depreciation				
Land Improvements	101,341	\$ 732		102,073
Buildings and Building Improvements	1,985,189	40,988		2,026,177
Furniture, Fixtures, and Equipment	847,112	83,409	415,160	515,361
Vehicles	327,746	39,318	8,335	358,729
<i>Total Accumulated Depreciation</i>	<u>3,261,388</u>	<u>164,447</u>	<u>423,495</u>	<u>3,002,340</u>
<i>Depreciable Capital Assets, Net</i>	<u>13,481,376</u>	<u>6,853,580</u>	<u>269,047</u>	<u>20,065,909</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 14,267,569</u>	<u>\$ 6,853,580</u>	<u>\$ 269,047</u>	<u>\$ 20,852,102</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 107,711
Special	373
Support Services:	
Pupil	70
Instructional Staff	2,427
Administration	2,549
Fiscal	588
Operation and Maintenance of Plant	5,555
Pupil Transportation	38,464
Non-Instruction	5,310
Extracurricular	1,400
<i>Total Depreciation Expense</i>	<u>\$ 164,447</u>

The District restated Capital Assets (at cost) at the beginning of the year due to a change in its fixed asset capitalization policy as follows:

Balance at June 30, 2003	\$ 17,255,088
Restatement	273,869
<i>Balance, Restated</i>	<u>\$ 17,528,957</u>

10. RESTRICTED ASSETS

The following amounts, which are reflected on the balance sheet, are restricted for various purposes.

	<u>General Fund</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 13,557</u>

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

11. RISK MANAGEMENT

A. Property and Liability

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 2004, the District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

	Replacement Cost
Building and Contents (\$250 deductible)	
Inland Marine Coverage	
Musical Instruments (No deductible)	\$ 6,000
Photo Equipment (No deductible)	300,000
Radios (No deductible)	2,523
EDP (\$100 deductible)	20,000
Boiler and Machinery (\$1,000 deductible)	19,066,300
Crime Insurance	1,000
Automobile Liability (\$500 deductible)	2,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000
Umbrella Liability	
Per occurrence	3,000,000
Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

B. Employee Medical Benefits

As of June 30, 2004 the District has contracted through the Paulding County Schools Council with Medical Mutual of Ohio as third party provider to provide employee medical/surgical benefits and also dental benefits. Rates are set through an annual calculation process. The District and the employees share the cost of the monthly premium with the Board.

C. Workers' Compensation

For fiscal year 2004, the District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the performance is compared to the overall savings of the GRP. A participant will then either receive

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Anthem Comp Services provided administrative, cost control and actuarial services to the GRP.

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which is currently 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$63,661, \$53,744, and \$32,431, respectively; 37 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$40,116.

B. State Teachers Retirement System

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

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 percent 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

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$364,626, \$341,223, and \$219,827, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$60,312.

13. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2004, and June 30, 2003, the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$25,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

For the District, the amount to fund postemployment benefits including the surcharge as of June 30, 2004 equaled \$43,347.

14. EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month which is 15 days annually. For administrators, teachers, and classified employees, such days shall accumulate equal to 235 days. Vested sick leave is accumulated and, if unused, is paid upon retirement at the rate of one-fourth of the accumulated sick leave when an employee has 10 years with the District. Administrative, certified, and classified employees are limited to a maximum of 50 paid days.

B. Life Insurance

The District provides life insurance to most employees through the Medical Life Insurance Company.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

15. LONG-TERM OBLIGATIONS

During the year ended June 30, 2004, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	Balance at 06/30/03	Additions	Deductions	Balance at 06/30/04	Due Within One Year
OSFC Bond Issue	\$ 3,055,000		\$ 120,000	\$ 2,935,000	\$ 125,000
OSFC Capital Appreciation Bonds	125,070	\$ 19,536		144,606	
Permanent Improvement Loan		324,000		324,000	
Asbestos Loan - Interest Free	22,188		5,000	17,188	5,000
<i>Total general obligation bonds</i>	<u>3,202,258</u>	<u>343,536</u>	<u>125,000</u>	<u>3,420,794</u>	<u>130,000</u>
Compensated Absences	260,695	291,982	260,695	291,982	
Intergovernmental Payables	29,850		29,850		
<i>Total</i>	<u>\$ 3,492,803</u>	<u>\$ 635,518</u>	<u>\$ 415,545</u>	<u>\$ 3,712,776</u>	<u>\$ 130,000</u>

The OSFC Bond Issue was entered into in 2002 for the amount of \$3,260,998. The bond was issued for the construction of a new school building. The bond has an interest rate of 4.66 percent and will mature in fiscal year 2023.

The Asbestos Loan was entered into in 1988 through the United States Environmental Protection Agency. The purpose of this loan is to provide revenues for the removal of asbestos from school buildings. This interest free promissory note maturing in fiscal year 2008 had an original principal amount of \$102,068. The District will make semi-annual installments of \$2,500.

The Permanent Improvement Loan was a tax anticipation note that was entered into in February 2004 with a maturity date of December 2006. The loan was issued for the construction of the new school building. This loan is reported as a liability of the other governmental funds on the Governmental Funds' Balance Sheet.

Compensated absences and intergovernmental payables will be paid from the fund that the employer's salary is paid. Compensated absences, additions, and deletions have been netted because the calculation is an estimate making it impractical to determine.

The District's voted legal debt margin was (\$812,717) with an unvoted debt margin of \$24,536 at June 30, 2004.

Total expenditures for interest for the above debt for the period ended June 30, 2004 was \$131,953.

The scheduled payments of principal and interest on debt outstanding at June 30, 2004 are as follows:

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Year Ending June 30,	Principal	Interest	Total
2005	\$ 255,000	\$ 132,671	\$ 387,671
2006	234,500	124,766	359,266
2007	239,500	118,413	357,913
2008	137,188	112,370	249,558
2009	140,000	107,280	247,280
2010-2014	604,606	644,149	1,248,755
2015-2019	910,000	325,850	1,235,850
2020-2023	900,000	87,875	987,875
Total	<u>\$ 3,420,794</u>	<u>\$ 1,653,374</u>	<u>\$ 5,074,168</u>

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2004, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Balance as of June 30, 2003	\$ (80,884)		\$ 13,557
Current Year Set-aside Requirement	101,692	\$ 101,692	
Current Year Offsets		(155,438)	
Qualifying Disbursements	(86,135)	(12,120)	
<i>Total</i>	<u>\$ (65,327)</u>	<u>\$ (65,866)</u>	<u>\$ 13,557</u>
Balance Carried Forward to FY 2005	<u>\$ (65,327)</u>		<u>\$ 13,557</u>
Total Restricted Assets			<u>\$ 13,557</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements.

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties and Cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The District has an equity interest that is explicit and measurable in that the joint governed organization stipulates that the participants have a future claim to the net resources of NOACSC upon dissolution. The agreement sets forth the method to determine each member's proportionate share.

B. Vantage Vocational School

The Vantage Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Vocational School, Lori Davis, who serves as Treasurer, at 818 North Franklin Street, Van Wert, Ohio 45891.

C. Paulding County Schools Council

The Paulding County Schools Council is a jointly governed organization among the Boards of Education of Antwerp Local School District, Paulding Exempted Village School District, and Wayne Trace Local School District. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. Financial information can be obtained from David Bagley, who serves as Chairman, at 303 South Harrmann Road, Antwerp, Ohio 45813.

18. GROUP PURCHASING POOLS

A. Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan

The District participates in a group-rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

B. The Paulding County School Council's Employee Insurance Benefits Program

The Paulding County School Council's Employee Insurance Benefits Program includes a health insurance plan. The plan is a risk-sharing pool among the Boards of Education of Antwerp Local School District, Paulding Exempted Village School District, and Wayne Trace Local School District.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The purpose of the plan is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the Treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of a representative from each of the member school districts. The degree of control exercised by any participating member is limited to its representation on the council.

Financial information can be obtained from David Bagley, who serves as Chairman, at 303 South Harrmann Road, Antwerp, Ohio 45813.

19. 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.

20. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Antwerp Local School District
Paulding County
303 South Harrmann Drive
Antwerp, Ohio 45813-9574

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Antwerp Local School District, Paulding County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 15, 2005, wherein we noted the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statement and Management Discussion and Analysis for State and Local Governments* and changed its asset capitalization policy. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 15, 2005, we reported other matters involving internal control over financial reporting.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated April 15, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Education. It is not intended for 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

April 15, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

ANTWERP LOCAL SCHOOL DISTRICT

PAULDING 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
MAY 17, 2005**