

**Carrollton Exempted Village
School District**

Audited Financial Statements

June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Education
Carrollton Exempted Village School District
Carrollton, Ohio

We have reviewed the Independent Auditor's Report of the Carrollton Exempted Village School District, Carroll County, prepared by Rea & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Carrollton Exempted Village School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 15, 2005

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**CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT
CARROLL COUNTY**

JUNE 30, 2004

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**CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT
CARROLL COUNTY**

JUNE 30, 2004

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 5, 2005

To the Board of Education
Carrollton Exempted Village School District
Carrollton, OH 44615

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Carrollton Exempted Village School District (the "District"), Carroll County, Ohio 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 an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we also have issued our report dated January 5, 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 grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Carrollton Exempted Village School District
Independent Accountants' Report
January 5, 2005
Page 2

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

Carrollton Exempted Village School District

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

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

Financial Highlights

Key financial highlights for 2004 are as follows:

- General Revenues accounted for \$18.2 million in revenue or 87% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2.7 million or 13% of total revenues of \$20.9 million.
- Total program expenses were \$20.9 million, \$19.9 million in governmental activities and \$1 million in business-type activities.
- In total, net assets increased \$21,138. Net assets of governmental activities decreased \$23,027, which represents a .3% decrease from 2003. Net assets of business-type activities increased \$44,165 or 41% from 2003.

Using this Annual Report

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 Carrollton Exempted Village School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

A question typically asked about the District's finances "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Carrollton Exempted Village School District

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities (food service); therefore, these statements will essentially match.

Fiduciary Funds - The School District's only fiduciary fund is for Student Managed Activities. The School District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude those activities from the School District's other financial statements because the assets can't be used by the District to finance operations.

Carrollton Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22.

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets:						
Current and other assets	\$ 8,826,568	\$ 9,567,138	\$ 73,560	\$ 5,331	\$ 8,900,128	\$ 9,572,469
Capital assets	7,070,612	6,464,363	30,654	27,538	7,101,266	6,491,901
Total assets	15,897,180	16,031,501	104,214	32,869	16,001,394	16,064,370
Liabilities:						
Long-term liabilities	1,812,011	1,779,134	36,104	37,222	1,848,115	1,816,356
Other liabilities	7,784,693	8,147,353	130,905	119,606	7,915,598	8,266,959
Total liabilities	9,596,704	9,926,487	167,009	156,828	9,763,713	10,083,315
Net Assets:						
Invested in capital assets, net of debt	6,970,612	6,333,682	30,654	27,538	7,001,266	6,361,220
Restricted	211,673	128,199	0	0	211,673	128,199
Unrestricted (Deficit)	(881,809)	(356,867)	(93,449)	(151,497)	(975,258)	(508,364)
Total net assets	\$ 6,300,476	\$ 6,105,014	\$ (62,795)	\$ (123,959)	\$ 6,237,681	\$ 5,981,055

Total assets decreased by \$62,976 with governmental assets decreasing \$134,321 and business-type assets increasing \$71,345. An increase of \$609,365 in total capital assets reflects additional purchases exceeding depreciation. The majority of the decrease in other governmental assets is due to a decrease in cash and taxes receivable. Total liabilities decreased by \$319,602 with governmental liabilities comprising almost the entire amount. This increase was primarily the result of compensated absences and new lease payable.

Carrollton Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2004. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

(Table 2)
Governmental and Business-Type Activities
Changes in Net Assets

	Governmental-Type Activities		Business-Type Activities		Total	Total
	2004	2003	2004	2003	2004	2003
<i>Revenues</i>						
<i>Program Revenues:</i>						
Charges for Services	\$ 179,330	\$ 230,085	\$ 364,017	\$ 375,991	\$ 543,347	\$ 606,076
Operating Grants	1,649,001	1,270,984	482,238	448,432	2,131,239	1,719,416
<i>General Revenue:</i>						
Property Taxes	5,128,765	4,892,327	0	0	5,128,765	4,892,327
Grants and Entitlements	12,191,736	11,934,883	0	0	12,191,736	11,934,883
Other	925,666	155,409	0	94,700	925,666	250,109
<i>Total Revenues</i>	<u>20,074,498</u>	<u>18,483,688</u>	<u>846,255</u>	<u>919,123</u>	<u>20,920,753</u>	<u>19,402,811</u>
<i>Program Expenses</i>						
Instruction	11,380,178	11,415,986	0	0	11,380,178	11,415,986
Support Services	8,025,237	7,884,056	0	0	8,025,237	7,884,056
Operation of Non-Instructional	52,633	45,001	0	0	52,633	45,001
Extracurricular Activities	438,748	405,823	0	0	438,748	405,823
Intergovernmental	0	8,158	0	0	0	8,158
Interest and Fiscal Charges	9,529	5,752	0	0	9,529	5,752
Food Service	0	0	993,290	992,821	993,290	992,821
<i>Total Expenses</i>	<u>19,906,325</u>	<u>19,764,776</u>	<u>993,290</u>	<u>992,821</u>	<u>20,899,615</u>	<u>20,757,597</u>
Transfers	<u>(191,200)</u>	<u>0</u>	<u>191,200</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	<u>\$ (23,027)</u>	<u>\$ (1,281,088)</u>	<u>\$ 44,165</u>	<u>\$ (73,698)</u>	<u>\$ 21,138</u>	<u>\$ (1,354,786)</u>

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$20.9 million and expenditures of \$19.9 million.

Carrollton Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

(Table 3)
Governmental Activities
Total Cost & Net Cost

	2004		2003	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 11,380,178	\$ 10,373,722	\$ 11,415,986	\$ 10,505,517
Support Services:				
Pupil and Instructional Staff	2,210,013	1,587,194	2,007,602	1,624,505
Board of Education, Administration, Fiscal and Business	2,268,163	2,224,059	2,381,820	2,352,027
Operation and Maintenance of Plant	1,966,810	1,925,528	1,869,883	1,820,905
Pupil Transportation	1,580,251	1,571,450	1,496,089	1,473,746
Central	0	0	128,662	127,583
Operation of Non-Instructional Extracurricular Activities	52,633	22,674	45,001	22,264
Intergovernmental	438,748	363,838	405,823	323,293
Interest and Fiscal Charges	0	0	8,158	8,158
	<u>9,529</u>	<u>9,529</u>	<u>5,752</u>	<u>5,709</u>
Total Expenses	<u>\$ 19,906,325</u>	<u>\$ 18,077,994</u>	<u>\$ 19,764,776</u>	<u>\$ 18,263,707</u>

Instruction and student support services comprise 68% of governmental program expenses.

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent.

Business-Type Activities

Business-type activities include the food service operation. These programs had revenues of approximately \$846,255, transfers in from other funds of \$191,200, and expenses of \$993,290 for fiscal year 2004. The food service program receives no support from tax revenues.

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, the School District did modify its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, budget basis revenue was \$17,508,816, over the original budget estimates of \$18,025,500. Of this \$506,684 increase, most was attributable to increased intergovernmental revenue.

Final appropriations of \$18,779,899 were approximately \$390,000 less than the original budget estimates of \$19,169,998.

Carrollton Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Capital Assets

At the end of fiscal year 2004, the School District had \$7,101,266 invested in land, buildings, equipment, and vehicles. A total of \$7,070,612 of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2004 balances compared with 2003.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 101,246	\$ 101,246	\$ 0	\$ 0	\$ 101,246	\$ 101,246
Land Improvements	1,034,277	322,649	0	0	1,034,277	322,649
Buildings and Building Improvements	3,715,726	3,650,187	0	0	3,715,726	3,650,187
Improvements Other Than Buildings	123,090	129,729	0	0	123,090	129,729
Furniture and Equipment	122,936	122,774	18,480	19,678	141,416	142,452
Machinery and Equipment	754,881	820,216	12,174	7,860	767,055	828,076
Vehicles	1,218,456	1,317,562	0	0	1,218,456	1,317,562
Totals	\$ 7,070,612	\$ 6,464,363	\$ 30,654	\$ 27,538	\$ 7,101,266	\$ 6,491,901

The \$610,365 increase in capital assets was attributable to additional purchases exceeding depreciation.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$355,841 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks.

Current Issues

The Carrollton Exempted Village School District does not receive strong support from the residents of the School District in the form of local tax issues. The last operating levy passed by the residents of the School District was in November 1976. Numerous bond issues and one permanent improvement levy in recent years all were voted down by approximately 60%.

The School District currently has an effective total local tax millage of 20 mills, which is the lowest allowed by law. Under current state budget legislation for school funding, the school district is expected to receive \$1,000,000 in charge-off supplement from the state in fiscal year 2004. This supplement is intended to counteract the affect of current funding legislation that assumes each district brings in 23 mills of local taxation. This funding piece would require the School District to surpass the \$1,000,000 mark on an operating levy before the School District would see an increase in total revenue. This is due to the fact that as the School District brings the money in locally, the state will reduce the supplement amount.

Carrollton Exempted Village School District

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

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. With these challenges along with the state funding challenges, planning for meeting growing costs has become a concern. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for the School District's students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Carrollton Exempted Village School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. Another School District concern will be the State Legislative approval of the biennial budget, effective July 1, 2003. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Roxanne Mazur, Treasurer of Carrollton Exempted Village School District, 252 Third St. NE, Carrollton, Ohio 44615 or car_roxanne@omeresanet.net.

Carrollton Exempted Village School District

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,122,117	\$ 120	\$ 2,122,237
Equity in Pooled Cash and Cash Equivalents - Restricted	121,798	0	121,798
Cash and Cash Equivalents:			
With Fiscal Agents	1,205,953	0	1,205,953
Inventory Held for Resale	0	1,010	1,010
Materials and Supplies Inventory	112,265	0	112,265
Accounts Receivable	7,149	0	7,149
Intergovernmental Receivable	180,343	54,342	234,685
Prepaid Items	257,614	18,088	275,702
Taxes Receivable	4,819,329	0	4,819,329
Non-Depreciable Capital Assets	101,246	0	101,246
Depreciable Capital Assets (Net)	6,969,366	30,654	7,000,020
<i>Total Assets</i>	<u>15,897,180</u>	<u>104,214</u>	<u>16,001,394</u>
Liabilities			
Accounts Payable	27,866	258	28,124
Accrued Wages and Benefits	2,232,911	93,717	2,326,628
Intergovernmental Payable	497,321	36,930	534,251
Matured Compensated Absences Payable	18,812	0	18,812
Deferred Revenue	4,401,497	0	4,401,497
Claims Payable	606,286	0	606,286
Long-Term Liabilities:			
Due Within One Year	70,783	0	70,783
Due in More Than One Year	1,741,228	36,104	1,777,332
<i>Total Liabilities</i>	<u>9,596,704</u>	<u>167,009</u>	<u>9,763,713</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	6,970,612	30,654	7,001,266
Restricted for Other Purposes	211,673	0	211,673
Unrestricted	(881,809)	(93,449)	(975,258)
<i>Total Net Assets</i>	<u>\$ 6,300,476</u>	<u>\$ (62,795)</u>	<u>\$ 6,237,681</u>

The accompanying notes are an integral part of the basic financial statements.

Carrollton Exempted Village School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Instruction:			
Regular	\$ 8,998,681	\$ 51,075	\$ 357,925
Special	1,937,905	7,801	586,610
Vocational	390,810	2,317	451
Adult/Continuing	6,824	11	0
Other	45,958	266	0
Support Services:			
Pupils	1,149,002	6,622	42,602
Instructional Staff	1,061,011	2,944	570,651
Board of Education	38,644	223	0
Administration	1,644,826	9,523	30,946
Fiscal	508,454	2,977	0
Business	76,239	435	0
Operation and Maintenance of Plant	1,966,810	11,308	29,974
Pupil Transportation	1,580,251	8,801	0
Operation of Non-Instructional Services	52,633	117	29,842
Extracurricular Activities	438,748	74,910	0
Interest and Fiscal Charges	9,529	0	0
<i>Total Governmental Activities</i>	<u>19,906,325</u>	<u>179,330</u>	<u>1,649,001</u>
Business-Type Activities:			
Food Service	993,290	364,017	482,238
<i>Total Business-Type Activities</i>	<u>993,290</u>	<u>364,017</u>	<u>482,238</u>
<i>Totals</i>	<u>\$ 20,899,615</u>	<u>\$ 543,347</u>	<u>\$ 2,131,239</u>

General Revenues:

Property Taxes Levied For:
General Purposes

Grants and Entitlements not Restricted to Specific Programs
Gifts and Donations
Investment Earnings
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - *Restated (See Note 3)*

Net Assets End of Year

The accompanying notes are an integral part of the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (8,589,681)	\$ 0	\$ (8,589,681)
(1,343,494)	0	(1,343,494)
(388,042)	0	(388,042)
(6,813)	0	(6,813)
(45,692)	0	(45,692)
(1,099,778)	0	(1,099,778)
(487,416)	0	(487,416)
(38,421)	0	(38,421)
(1,604,357)	0	(1,604,357)
(505,477)	0	(505,477)
(75,804)	0	(75,804)
(1,925,528)	0	(1,925,528)
(1,571,450)	0	(1,571,450)
(22,674)	0	(22,674)
(363,838)	0	(363,838)
(9,529)	0	(9,529)
<u>(18,077,994)</u>	<u>0</u>	<u>(18,077,994)</u>
<u>0</u>	<u>(147,035)</u>	<u>(147,035)</u>
<u>0</u>	<u>(147,035)</u>	<u>(147,035)</u>
(18,077,994)	(147,035)	(18,225,029)
5,128,765	0	5,128,765
12,191,736	0	12,191,736
853,025	0	853,025
23,875	0	23,875
48,766	0	48,766
(191,200)	191,200	0
<u>18,054,967</u>	<u>191,200</u>	<u>18,246,167</u>
(23,027)	44,165	21,138
<u>6,323,503</u>	<u>(106,960)</u>	<u>6,216,543</u>
<u>\$ 6,300,476</u>	<u>\$ (62,795)</u>	<u>\$ 6,237,681</u>

Carrollton Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,010,075	\$ 112,042	\$ 2,122,117
Restricted Pooled Cash and Cash Equivalents	121,798	0	121,798
Materials and Supplies Inventory	112,265	0	112,265
Accounts Receivable	5,392	1,757	7,149
Intergovernmental Receivable	54,739	125,604	180,343
Prepaid Items	231,214	26,400	257,614
Taxes Receivable	<u>4,819,329</u>	<u>0</u>	<u>4,819,329</u>
<i>Total Assets</i>	<u>\$ 7,354,812</u>	<u>\$ 265,803</u>	<u>\$ 7,620,615</u>
Liabilities			
Accounts Payable	\$ 27,667	\$ 199	\$ 27,866
Accrued Wages and Benefits	2,074,923	157,988	2,232,911
Intergovernmental Payable	328,994	5,072	334,066
Matured Compensated Absences Payable	18,812	0	18,812
Deferred Revenue	<u>4,644,325</u>	<u>0</u>	<u>4,644,325</u>
<i>Total Liabilities</i>	<u>7,094,721</u>	<u>163,259</u>	<u>7,257,980</u>
Fund Balances			
Fund Balance:			
Reserved for Encumbrances	189,631	207,148	396,779
Reserved for Inventory	112,265	0	112,265
Reserved for Property Taxes	175,004	0	175,004
Reserved for Budget Stabilization	121,798	0	121,798
Unreserved, Designated:			
Designated for Budget Stabilization	195,625	0	195,625
Unreserved, Undesignated, Reported in:			
General Fund	(534,232)	0	(534,232)
Special Revenue Funds	<u>0</u>	<u>(104,604)</u>	<u>(104,604)</u>
<i>Total Fund Balances</i>	<u>260,091</u>	<u>102,544</u>	<u>362,635</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 7,354,812</u>	<u>\$ 265,803</u>	<u>\$ 7,620,615</u>

The accompanying notes are an integral part of the basic financial statements.

Carrollton Exempted Village School District
Reconciliation of Total Governmental Fund Balances to
Net Assets Governmental Activities
June 30, 2004

Total Governmental Fund Balances	\$	362,635
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		7,070,612
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes		242,828
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		599,667
Intergovernmental payables include contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(163,255)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	\$ (1,712,011)	
Capital Lease Payable	(100,000)	(1,812,011)
Net Assets of Governmental Activities	\$	6,300,476

The accompanying notes are an integral part of the basic financial statements.

Carrollton Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 5,133,023	\$ 0	\$ 5,133,023
Intergovernmental	12,161,680	1,656,776	13,818,456
Interest	23,931	0	23,931
Tuition and Fees	78,705	1,295	80,000
Rent	2,523	0	2,523
Extracurricular Activities	7,635	93,970	101,605
Gifts and Donations	31,002	18,750	49,752
Customer Sales and Services	17,427	0	17,427
Miscellaneous	48,766	0	48,766
<i>Total Revenues</i>	<u>17,504,692</u>	<u>1,770,791</u>	<u>19,275,483</u>
Expenditures			
Current:			
Instruction:			
Regular	8,605,775	301,499	8,907,274
Special	1,510,437	621,468	2,131,905
Vocational	242,687	451	243,138
Adult/Continuing	1,024	5,800	6,824
Other	45,958	0	45,958
Support Services:			
Pupils	1,188,318	32,002	1,220,320
Instructional Staff	493,591	563,694	1,057,285
Board of Education	38,420	0	38,420
Administration	1,630,057	30,877	1,660,934
Fiscal	511,382	0	511,382
Business	74,086	0	74,086
Operation and Maintenance of Plant	1,911,336	32,248	1,943,584
Pupil Transportation	1,469,722	0	1,469,722
Central	20,314	0	20,314
Operation of Non-Instructional Services	19,674	32,303	51,977
Extracurricular Activities	322,001	89,979	411,980
Capital Outlay	156,706	0	156,706
Debt Service:			
Principal	155,681	0	155,681
Interest	9,529	0	9,529
<i>Total Expenditures</i>	<u>18,406,698</u>	<u>1,710,321</u>	<u>20,117,019</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(902,006)</u>	<u>60,470</u>	<u>(841,536)</u>
Other Financing Sources (Uses)			
Inception of Capital Lease	125,000	0	125,000
Transfers Out	(191,200)	0	(191,200)
<i>Total Other Financing Sources and Uses</i>	<u>(66,200)</u>	<u>0</u>	<u>(66,200)</u>
<i>Net Change in Fund Balances</i>	(968,206)	60,470	(907,736)
<i>Fund Balance at Beginning of Year - Restated (See Note 3)</i>	1,238,757	42,074	1,280,831
<i>Decrease in Reserve for Inventory</i>	(10,460)	0	(10,460)
<i>Fund Balance at End of Year</i>	<u>\$ 260,091</u>	<u>\$ 102,544</u>	<u>\$ 362,635</u>

The accompanying notes are an integral part of the basic financial statements.

Carrollton Exempted Village School District
Reconciliation of the 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	\$	(907,736)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Fixed Asset Additions	\$	1,060,530	
Current Year Depreciation		<u>(452,064)</u>	608,466

Net effect of transactions involving sale of capital assets are not reflected in the funds		(2,217)
--	--	---------

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

Delinquent Property Taxes		(4,258)
---------------------------	--	---------

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

Capital Leases		155,681
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Proceeds of capital lease transactions are recorded as revenues in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.

		(125,000)
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Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		(63,558)	
Pension Obligation		(5,110)	
Change in Inventory		<u>(10,460)</u>	(79,128)

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

		<u>331,165</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>(23,027)</u></u>
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The accompanying notes are an integral part of the basic financial statements.

Carrollton Exempted Village School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property and Other Local Taxes	\$ 5,035,000	\$ 5,423,500	\$ 5,079,019	\$ (344,481)
Intergovernmental	12,624,906	11,785,201	12,130,052	344,851
Interest	47,269	43,781	23,931	(19,850)
Tuition and Fees	140,756	130,369	79,244	(51,125)
Rent	3,151	2,919	2,523	(396)
Extracurricular Activities	6,660	5,800	7,735	1,935
Gifts and Donations	4,727	4,378	31,002	26,624
Customer Sales and Services	5,000	5,000	17,427	12,427
Miscellaneous	2,206	2,043	5,541	3,498
<i>Total Revenues</i>	<u>17,869,675</u>	<u>17,402,991</u>	<u>17,376,474</u>	<u>(26,517)</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,636,889	8,452,910	8,760,552	(307,642)
Special	1,514,582	1,482,319	1,485,276	(2,957)
Vocational	227,801	222,949	242,013	(19,064)
Adult/Continuing	0	0	1,024	(1,024)
Other	38,219	37,405	45,958	(8,553)
Support Services:				
Pupils	1,100,498	1,077,056	1,163,620	(86,564)
Instructional Staff	488,914	478,499	504,988	(26,489)
Board of Education	21,728	21,265	40,246	(18,981)
Administration	1,600,783	1,566,684	1,622,634	(55,950)
Fiscal	524,575	513,401	517,469	(4,068)
Business	240,174	235,058	84,225	150,833
Operation and Maintenance of Plant	2,035,412	2,001,997	2,084,290	(82,293)
Pupil Transportation	1,657,483	1,622,176	1,549,972	72,204
Central	59,451	58,184	41,706	16,478
Operation of Non-Instructional Services:				
Food Service Operations	10,011	9,798	0	9,798
Community Services	21,229	20,777	19,719	1,058
Extracurricular Activities:				
Academic Oriented Activities	119,113	116,576	127,101	(10,525)
Sport Oriented Activities	194,081	189,947	198,757	(8,810)
Capital Outlay:				
Site Improvement Services	35,039	34,293	37,781	(3,488)
Architecture and Engineering Services	3,786	3,706	3,498	208
Building Acquisition and Construction Services	0	0	4,000	(4,000)
Building Improvement Services	250,280	244,949	19,300	225,649
Other Facilities Acquisition and Construction	0	0	3,758	(3,758)
<i>Total Expenditures</i>	<u>18,780,048</u>	<u>18,389,949</u>	<u>18,557,887</u>	<u>(167,938)</u>
Excess of Revenues Over (Under) Expenditures	<u>(910,373)</u>	<u>(986,958)</u>	<u>(1,181,413)</u>	<u>(194,455)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	500	500	80	(420)
Refund of Prior Year Expenditures	0	0	41,221	41,221
Other Financing Uses	(119,950)	(119,950)	0	119,950
Transfers In	5,325	5,325	0	(5,325)
Transfers Out	(120,000)	(120,000)	(191,200)	(71,200)
Advances In	150,000	100,000	112,200	12,200
Advances Out	(150,000)	(150,000)	(112,200)	37,800
<i>Total Other Financing Sources and Uses</i>	<u>(234,125)</u>	<u>(284,125)</u>	<u>(149,899)</u>	<u>134,226</u>
<i>Net Change in Fund Balances</i>	<u>(1,144,498)</u>	<u>(1,271,083)</u>	<u>(1,331,312)</u>	<u>(60,229)</u>
<i>Fund Balance at Beginning of Year</i>	2,888,596	2,888,596	2,888,596	0
<i>Prior Year Encumbrances Appropriated</i>	<u>358,181</u>	<u>358,181</u>	<u>358,181</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$ 2,102,279</u>	<u>\$ 1,975,694</u>	<u>\$ 1,915,465</u>	<u>\$ (60,229)</u>

The accompanying notes are an integral part of the basic financial statements.

Carrollton Exempted Village School District

Statement of Fund Net Assets

Proprietary Funds

June 30, 2004

	Business-Type Activities	Governmental Activities - Internal Service Fund
	Food Service	
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 120	\$ 0
Cash and Cash Equivalents with Fiscal Agents	0	1,205,953
Inventory Held for Resale	1,010	0
Intergovernmental Receivable	54,342	0
Prepaid Items	18,088	0
<i>Total Current Assets</i>	<u>73,560</u>	<u>1,205,953</u>
Noncurrent Assets:		
Depreciable Capital Assets, Net	<u>30,654</u>	<u>0</u>
<i>Total Noncurrent Assets</i>	<u>30,654</u>	
<i>Total Assets</i>	<u>104,214</u>	<u>1,205,953</u>
Liabilities		
Accounts Payable	258	0
Accrued Wages and Benefits	93,717	0
Intergovernmental Payable	36,930	0
Claims Payable	0	606,286
<i>Total Current Liabilities</i>	<u>130,905</u>	<u>606,286</u>
Long-Term Liabilities		
Due In More Than One Year	<u>36,104</u>	<u>0</u>
<i>Total Liabilities</i>	<u>167,009</u>	<u>606,286</u>
Net Assets		
Invested in Capital Assets	30,654	0
Unrestricted (Deficit)	<u>(93,449)</u>	<u>599,667</u>
<i>Total Net Assets (Deficit)</i>	<u>\$ (62,795)</u>	<u>\$ 599,667</u>

The accompanying notes are an integral part of the basic financial statements.

Carrollton Exempted Village School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities	Governmental Activities - Internal Service Fund
	Food Service	
Operating Revenues		
Sales	\$ 364,017	\$ 0
Charges for Services	0	2,832,544
<i>Total Operating Revenues</i>	<u>364,017</u>	<u>2,832,544</u>
Operating Expenses		
Salaries	318,959	0
Fringe Benefits	266,228	0
Purchased Services	15,881	988,249
Materials and Supplies	390,188	0
Depreciation	2,034	0
Claims	0	1,520,553
<i>Total Operating Expenses</i>	<u>993,290</u>	<u>2,508,802</u>
<i>Operating Income (Loss)</i>	<u>(629,273)</u>	<u>323,742</u>
Non-Operating Revenues		
Federal Donated Commodities	44,120	0
Interest	0	7,423
Federal and State Subsidies	438,118	0
<i>Total Non-Operating Revenues</i>	<u>482,238</u>	<u>7,423</u>
<i>Income (Loss) Before Transfers</i>	(147,035)	331,165
Transfers In	191,200	0
<i>Net Change in Net Assets</i>	44,165	331,165
<i>Net Assets (Deficit) at Beginning of Year - Restated (See Note 3)</i>	<u>(106,960)</u>	<u>268,502</u>
<i>Net Assets (Deficit) at End of Year</i>	<u>\$ (62,795)</u>	<u>\$ 599,667</u>

The accompanying notes are an integral part of the basic financial statements.

Carrollton Exempted Village School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 364,017	\$ 2,832,544
Cash Paid for Goods and Services	(358,612)	(988,249)
Cash Paid to Employees	(576,353)	0
Cash Paid for Claims	0	(1,417,400)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(570,948)</u>	<u>426,895</u>
Cash Flows From Non-Capital Financing Activities:		
Transfers from Other Funds	191,200	0
Advances to Other Funds	(16,000)	0
Advances from Other Funds	16,000	0
Operating Grants Received	383,776	0
<i>Net Cash Provided By Non-Capital Financing Activities</i>	<u>574,976</u>	<u>0</u>
Cash Flows From Investing Activities:		
Interest on Investments	0	7,423
<i>Net Cash Provided By Investing Activities</i>	<u>0</u>	<u>7,423</u>
Cash Flows From Capital and Related Activities:		
Payments for Capital Acquisitions	(5,150)	0
<i>Net Cash Used For Capital and Related Financing Activities</i>	<u>(5,150)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(1,122)	434,318
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,242	771,635
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 120</u>	<u>\$ 1,205,953</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	\$ (629,273)	\$ 323,742
Adjustments:		
Depreciation	2,034	0
Federal Donated Commodities	44,120	0
(Increase) Decrease Assets		
Prepaid Items	(1,089)	0
Inventory	3,079	0
Increase (Decrease) in Liabilities		
Accounts Payable	258	0
Accrued Wages and Benefits	8,290	0
Compensated Absences Payable	(1,118)	0
Intergovernmental Payable	2,751	0
Claims Payable	0	103,153
<i>Total Adjustments</i>	<u>58,325</u>	<u>103,153</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (570,948)</u>	<u>\$ 426,895</u>

The accompanying notes are an integral part of the basic financial statements.

Carrollton Exempted Village School District

Statement of Fiduciary Net Assets

Fiduciary Fund

June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 40,924
Accounts Receivable	187
	<hr/>
<i>Total Assets</i>	<u>\$ 41,111</u>
Liabilities	
Accounts Payable	\$ 450
Due to Students	40,661
	<hr/>
<i>Total Liabilities</i>	<u>\$ 41,111</u>

The accompanying notes are an integral part of the basic financial statements.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1867 with the construction of a six room school house. The School District serves an area of approximately 297 square miles. It is located in Carroll County, and includes all of the Village of Carrollton. The School District is the 164th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 155 classified employees and 190 certificated employees who provide services to 2,907 students and other community members. The School District currently operates 9 instructional buildings, 2 administrative buildings and 1 bus garage.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Carrollton Exempted Village School District does not have any component units.

The School District is associated with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a jointly governed organization. See Note 17.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The School District also has the option to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to apply these FASB Statements and Interpretations. The School District's significant accounting policies are described below.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

Carrollton Exempted Village School District

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the School District's proprietary fund types:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

Food Service Fund This fund accounts for the financial transactions related to the food service operations of the School District.

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund which accounts for student 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 School District are included on the statement of 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.

Carrollton Exempted Village School District

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 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 also been reported as deferred revenue.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

E. Cash and Cash Equivalents

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

During fiscal year 2004, investments were limited to overnight repurchase agreements and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost. The fair value of the mutual fund is determined by the fund's June 30, 2004, share price.

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$23,931, which includes \$1,491 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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 while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material, capital acquisition, and to create a reserve for budget stabilization. See Note 18 for additional information regarding set asides.

I. Capital Assets

General capital assets are those assets that 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 in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Land Improvements	25 Years	N/A
Buildings and Building Improvements	15 - 50 Years	N/A
Improvements Other Than Buildings	25 Years	N/A
Furniture and Equipment	6 - 20 Years	N/A
Machinery and Equipment	6 - 20 Years	6 - 20 Years
Vehicles	13 Years	N/A

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 columns of the statement of net assets. The School District has no such transaction balance at year end.

K. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's amount of accumulated sick leave that will be paid as a termination benefit.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

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, special termination benefits, 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 fiscal year. Bonds and capital leases are recognized as a liability on the 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. The School District records designations for portions of fund equity which the School District Board of Education has segregated for specific future use. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves have been established for encumbrances, inventory of materials and supplies, property taxes, and budget stabilization.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

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

R. Estimates

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

S. Budgetary Data

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

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 3 – Prior Period Adjustment

In the prior year, the asset for prepaid health insurance premiums was not recorded. To correct this omission, the beginning fund balances/net assets have been restated as follows:

Fund Balance:	Previously Stated Balance at 06/30/03	Adjustments	Restated Balance at 07/01/03
General Fund	\$ 1,020,268	\$ 218,489	\$ 1,238,757
Net Assets:			
Governmental Activities	6,105,014	218,489	6,323,503
Food Service/ Business-Type Activities	(123,959)	16,999	(106,960)

Note 4 – Accountability

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
Non-major Governmental Funds:	
EMS	\$ 250
IDEA, Part-B, Special Education	1,286
Title I	6,562
Title V	73
Business-Type Activities:	
Food Service	<u>62,795</u>
	<u>\$ 70,966</u>

The deficits in those funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance/retained earnings 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, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 5 - Budgetary Basis of Accounting (Continued)

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ (968,206)
Net Adjustment for Revenue Accruals	(99,717)
Advances In	112,200
Advances Out	(112,200)
Net Adjustment for Expenditure Accruals	(46,967)
Adjustment for Encumbrances	<u>(216,422)</u>
Budget Basis	<u><u>\$ (1,331,312)</u></u>

Note 6 - Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies 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.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 6 - Deposits and Investments (Continued)

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in a amount not to exceed twenty-five percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 6 - Deposits and Investments (Continued)

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

Deposits: At year-end, the carrying amount of the School District's deposits was \$1,796,770 and the bank balance was \$2,122,339. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$2,022,339 was uninsured and collateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money has been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Funds Held by Fiscal Agent: The School District participates in the Ohio Mid-Eastern Regional Education Service Agency School Employees Insurance Consortium for employee benefits. The bank balance at fiscal year end for the Employee Benefit Self-Insurance Fund was \$1,205,953. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

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

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$ 451,007	\$ 451,007	\$ 451,007
STAR Ohio	<u>0</u>	<u>37,182</u>	<u>37,182</u>
Total	<u>\$ 451,007</u>	<u>\$ 488,189</u>	<u>\$ 488,189</u>

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 6 - Deposits and Investments (Continued)

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash & Cash <u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,490,912	\$ 0
Cash held by Fiscal Agent	(1,205,953)	0
Investments which are part of cash management pool:		
Repurchase Agreements	(451,007)	451,007
STAROhio	<u>(37,182)</u>	<u>37,182</u>
GASB Statement No. 3	<u>\$ 1,796,770</u>	<u>\$ 488,189</u>

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004, and are collected in 2004 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

Carrollton Exempted Village School District

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

Note 7 - Property Taxes (Continued)

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

	2003 Second- Half Collections		2004 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 213,096,390	84.08%	\$ 213,498,480	84.24%
Public Utility Personal	30,208,420	11.92%	30,208,420	11.92%
Tangible Personal Property	<u>10,139,180</u>	<u>4.00%</u>	<u>10,139,180</u>	<u>4.00%</u>
Total Assessed Values	<u>\$ 253,443,990</u>	<u>100.00%</u>	<u>\$ 253,846,080</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.40		\$29.40	

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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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 School District receives property taxes from Carroll County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available to the School District as an advance at June 30, 2004, was \$175,004.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 8 - Receivables

Receivables at June 30, 2004, consisted of taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund	
JROTC Reimbursement	\$ 4,140
E-Rate	10,558
Other	40,041
Non-Major Funds:	
IDEA, Part B Special Education	3,857
Title I	67,166
IDEA Preschool Grant for the Handicapped	3,464
Improving Teacher Quality	51,117
Food Service Fund	<u>54,342</u>
Total	<u>\$ 234,685</u>

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Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 9 - Capital Assets

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

	Balance 06/30/03	Additions	Reductions	Balance 06/30/04
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 101,246	\$ 0	\$ 0	\$ 101,246
 <i>Depreciable Capital Assets:</i>				
Land Improvements	587,972	744,160	0	1,332,132
Buildings and building improvements	7,096,351	165,085	0	7,261,436
Improvements other than buildings	169,150	0	0	169,150
Furniture and equipment	150,255	9,406	0	159,661
Machinery and equipment	1,600,665	85,958	(10,624)	1,675,999
Vehicles	2,309,274	55,921	(38,700)	2,326,495
 <i>Total capital assets, being depreciated</i>	 11,913,667	 1,060,530	 (49,324)	 12,924,873
 Less accumulated depreciation:				
Land Improvements	(265,323)	(32,532)	0	(297,855)
Buildings and building improvements	(3,446,164)	(99,546)	0	(3,545,710)
Improvements other than buildings	(39,421)	(6,639)	0	(46,060)
Furniture and equipment	(27,481)	(9,244)	0	(36,725)
Machinery and equipment	(780,449)	(151,076)	10,407	(921,118)
Vehicles	(991,712)	(153,027)	36,700	(1,108,039)
 <i>Total accumulated depreciation</i>	 (5,550,550)	 (452,064)	 47,107	 (5,955,507)
 <i>Total capital assets being depreciated, net</i>	 6,363,117	 608,466	 (2,217)	 6,969,366
 <i>Governmental activities capital assets, net</i>	 <u>\$ 6,464,363</u>	 <u>\$ 608,466</u>	 <u>\$ (2,217)</u>	 <u>\$ 7,070,612</u>
 Business-Type Activities:				
Furniture and fixtures	\$ 21,722	\$ 0	\$ 0	\$ 21,722
Machinery and equipment	137,184	5,150	(10,022)	132,312
Less: accumulated depreciation	(131,368)	(2,034)	10,022	(123,380)
 <i>Business-type activities capital assets, net</i>	 <u>\$ 27,538</u>	 <u>\$ 3,116</u>	 <u>\$ 0</u>	 <u>\$ 30,654</u>

Carrollton Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	222,838
Special		9,793
Vocational		1,623
Support Services:		
Pupils		2,049
Instructional Staff		3,044
Administration		5,015
Fiscal		3,083
Business		2,200
Operation and Maintenance of Plant		23,005
Pupil Transportation		149,776
Operation of Non-Instructional Services		455
Extracurricular Activities		29,183
		<hr/>
Total Depreciation	\$	<u>452,064</u>

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District contracted with Nationwide for property and liability insurance coverage as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
Building and Contents - replacement cost	\$28,614,950
Steam Boiler	3,000,000
Automobile Liability	3,000,000
General Liability:	
Per Occurrence	2,000,000
Total Per Year	4,000,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 10 - Risk Management (Continued)

B. Employee Medical Benefits

Medical and surgical insurance is offered to all employees, and dental insurance is offered to certificated employees through a self insurance internal service fund. The School District is a member of the Ohio Mid- Eastern Regional Education Service Agency Health Benefit Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$606,286 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claims liability for the fiscal years 2004 and 2003 are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Fiscal Year</u>
2003	\$ 184,565	\$ 1,824,193	\$ 1,505,625	\$ 503,133
2004	\$ 503,133	\$ 1,520,553	\$ 1,417,400	\$ 606,286

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District participates in 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. 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.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 11 - Defined Benefit Pension Plans (Continued)

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

Existing members with less than five years of service credit as of June 30, 2003, 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, 2003. 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 fiscal year ended June 30, 2004, plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$1,282,992, \$830,221 and \$755,370, respectively; 84% has been contributed for fiscal year 2004, and 100% for fiscal years 2003 and 2002. \$203,960, representing the unpaid contribution for fiscal year 2004 is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 11 - Defined Benefit Pension Plans (Continued)

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$409,944, \$141,437 and \$124,042, respectively; 39% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$220,524, representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

Note 12 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equaled 1% of covered payroll to the Health Care Reserve Fund, a decrease from 4.5% for fiscal year 2003. For the School District, this amount equaled \$91,642 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003 (the latest information available), the balance in the fund was \$2.8 billion. For the year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 5.83% of covered payroll, a decrease from 8.54% for fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$192,635.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003 (the latest information possible), SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 13 - Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 240 days for classified employees and 240 days for certified employees. Upon retirement, payment is made for 30 percent of total sick leave accumulated; to a maximum of 60 days for classified employees, to a maximum of 60 days for certificated employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to contracted employees through OME-RESA Health Plan Insurance. The Board pays the cost of the monthly premium, \$5.00 per employee.

Note 14 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	<u>Outstanding 06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/04</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 1,648,453	\$ 63,558	\$ 0	\$ 1,712,011	\$ 45,783
Capital Lease Payable	<u>130,681</u>	<u>125,000</u>	<u>(155,681)</u>	<u>100,000</u>	<u>25,000</u>
Total - Governmental Activities	1,779,134	188,558	(155,681)	1,812,011	70,783
Business-Type Activities:					
Compensated Absences	<u>37,222</u>	<u>0</u>	<u>(1,118)</u>	<u>36,104</u>	<u>0</u>
Total Long-Term Obligations	<u>\$ 1,816,356</u>	<u>\$ 188,558</u>	<u>\$ (156,799)</u>	<u>\$ 1,848,115</u>	<u>\$ 70,783</u>

The School District's overall legal debt margin was \$22,846,147 at June 30, 2004.

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 15 – Capital Leases

During the current year, the School District entered into a capitalized lease for an athletic center. The School District entered into capitalized leases for various computer software and equipment in prior years. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by the leases have been capitalized in the amount of \$393,734. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general fund. Principal payments in fiscal year 2004 totaled \$155,681 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

	<u>Amount</u>
Fiscal Year Ended June 30, 2005	\$ 25,000
2006	25,000
2007	25,000
2008	<u>25,000</u>
Present Value of Net Minimum Lease Payments	<u>\$ 100,000</u>

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 17 - Jointly Governed Organization

Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952. The School District made no contributions for fiscal year 2004.

Note 18 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	<u>Textbooks/ Instructional Materials Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Totals</u>
Set-aside Reserved Balance				
as of June 30, 2003	\$ (940,749)	\$ 0	\$ 121,798	\$ (818,951)
Current Year Set-aside	355,841	355,841	0	711,682
Current Year Qualifying Disbursements	<u>(593,384)</u>	<u>(401,000)</u>	<u>0</u>	<u>(994,384)</u>
Totals	<u>\$ (1,178,292)</u>	<u>\$ (45,159)</u>	<u>\$ 121,798</u>	<u>\$ (1,101,653)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ (1,178,292)</u>	<u>\$ 0</u>	<u>\$ 121,798</u>	
Set-aside Reserve Balance as of June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 121,798</u>	

Carrollton Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 18 - Set-Asides (Continued)

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$121,798.

Note 19 – State School Funding Decision

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

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

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 5, 2005

To the Board of Education
Carrollton Exempted Village School District
Carrollton, OH 44615

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Carrollton Exempted Village School District (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 January 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 5, 2005.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 5, 2005

To the Board of Education
Carrollton Exempted Village School District
Carrollton, OH 44615

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

Compliance

We have audited the compliance of the Carrollton Exempted Village School District (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Hea & Associates, Inc.

CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT
 CARROLL COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION						
Passed through Ohio Department of Education						
Title 1, Part A, ESEA	84.010	C1S1 - 2003	\$ 0		\$ 63,023	
Elementary and Secondary Education Act		C1SD - 2004	680,405		660,176	
Total Title 1			<u>680,405</u>		<u>723,199</u>	
Special Education Cluster:						
Special Education Grants to States	84.027	6BSF - 2003	0		29,343	
		6BSF - 2004	371,017		334,347	
Special Education - Preschool Grants	84.173	PGS1 - 2003	0		3,148	
		PGS1 - 2004	23,551		21,238	
Total Special Education Cluster			<u>394,568</u>		<u>388,076</u>	
Title VI, of IESA						
Innovative Education Program Strategies	84.298	C2S1 - 2004	16,255		16,255	
Safe, Drug-Free Schools & Communities Act Grant						
	84.186	DRS1 - 2004	17,704		17,704	
Title II-A Teacher Quality						
	84.367	TRS1 - 2003	0		18,365	
		TRS1 - 2004	122,492		112,412	
Total Title II-A Teacher Quality			<u>122,492</u>		<u>130,777</u>	
Title II-D Technology						
	84.318	TJS1 - 2003	0		1,088	
		TJS1 - 2004	20,235		20,235	
Total Title II-D Technology			<u>20,235</u>		<u>21,323</u>	
School Renovation & Technology	84.352A	ATS3 - 2004	804		804	
Total U. S. Department of Education			<u>1,252,463</u>		<u>1,298,138</u>	
U. S. DEPARTMENT OF AGRICULTURE						
Passed through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	10.550	FY04		\$ 40,031		\$ 40,031
School Breakfast Program	10.553	05PU - 2003	10,628		10,628	
		05PU - 2004	60,465		60,465	
Total School Breakfast Program			<u>71,093</u>		<u>71,093</u>	
National School Lunch Program	10.555	LLP4 - 2003	46,649		46,649	
		LLP4 - 2004	244,084		244,084	
Total National School Lunch Program			<u>290,733</u>		<u>290,733</u>	
Total US Department of Agriculture - Nutrition Cluster			<u>361,826</u>	<u>40,031</u>	<u>361,826</u>	<u>40,031</u>
Total Federal Financial Assistance			<u>\$ 1,614,289</u>	<u>\$ 40,031</u>	<u>\$ 1,659,964</u>	<u>\$ 40,031</u>

CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT
CARROLL COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: NUTRITION CLUSTER

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 2004, the School District had no significant food commodities inventory. Reimbursement moneys are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT
CARROLL COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness Conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control Weakness conditions reported at the Financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-Compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control Weakness conditions reported for major Federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Nutrition Cluster Special Education Cluster	CFDA # 10.55* CFDA # 84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

**4. SUMMARY SCHEDULE OF PRIOR AUDIT
FINDINGS AND CORRECTIVE ACTION PLAN**

NONE



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Betty Montgomery**

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CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT

CARROLL 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
MARCH 1, 2005**