

BOWLING GREEN CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Bowling Green City School District, Wood County, prepared by Weber O'Brien, LTD, for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 21, 2003

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BOWLING GREEN CITY SCHOOL DISTRICT

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BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2002

ELECTED OFFICIALS

| Board of Education | Title | Term of Office |
|---------------------------|----------------|-----------------------|
| Michael Aspacher | President | 1/1/02 – 12/31/05 |
| Thomas Milbrodt | Vice President | 1/1/00 – 12/31/03 |
| Ellen Dalton | Member | 1/1/00 – 12/31/03 |
| Paul Windisch | Member | 1/1/00 – 12/31/03 |
| Eric Myers | Member | 1/1/02 – 12/31/05 |

ADMINISTRATIVE PERSONNEL

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

LEGAL COUNSEL

External:

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

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

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

INDEX OF FUNDS

GOVERNMENTAL FUND TYPE:

General Fund Type:

General Fund

Special Revenue Fund Type:

Emergency Levy Fund
Public School Support Fund
Other Local Grants Fund
Severance Benefits Fund (H.B. 426)
District Managed Activity Fund
Auxiliary Services Fund
Teacher Development Fund
Management Information Systems Fund
Disadvantaged Pupil Impact Aid Fund
Network Connectivity Fund
Ohio School Net Professional Development Grant Fund
Extended Learning Opportunity Grant Fund
Summer Intervention Subsidy Fund
OhioReads Grant Fund
Miscellaneous State Grants Fund
Title II Grant Fund
Title VI-B – Education of the Handicapped Act Fund
Title I – Education Consolidation Improvement Act Fund
Title VI - Education Consolidation Improvement Act Fund
Title VI-R Grant Fund
Drug Free Schools Grant Fund
Other Federal Grants Fund

Debt Service Fund Type:

Bond Retirement Fund

Capital Projects Fund Type:

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

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

Food Service Fund
Uniform School Supplies Fund

(Continued)

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

INDEX OF FUNDS
(Continued)

FIDUCIARY FUND TYPE

Trust and Agency Fund Types:

Expendable Trust Fund

Nonexpendable Trust Fund

Agency Funds:

Student Activity Funds

District Agency Fund



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the Bowling Green City School District ("District"), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bowling Green City School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 on our consideration of the Bowling Green City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Bowling Green City School District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

weber • obrien, LTD.

November 15, 2002

Bowling Green City School District, Wood County
 Combined Balance Sheet
 All Fund Types and Account Groups
 As of June 30, 2002

| | GOVERNMENTAL FUND TYPES | | | | PROPRIETARY FUND TYPES | FIDUCIARY FUND TYPES | ACCOUNT GROUPS | | Totals |
|---------------------------------------------------------|----------------------------|---------------------|-------------------|---------------------|---------------------------|-------------------------|------------------------|----------------------------------|----------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Trust and Agency | General Fixed Asset | General Long-term Obligations | (Memorandum Only) |
| | | | | | | | | | |
| ASSETS AND OTHER DEBITS | | | | | | | | | |
| Equity in pooled cash and cash equivalents | \$ 4,644,497 | \$ 1,499,004 | \$ 270,367 | \$ 504,815 | \$ 394,577 | \$ 72,016 | \$ - | \$ - | \$ 7,385,276 |
| Investments: | | | | | | | | | |
| With fiscal agents | 3,532,090 | - | - | - | - | 50,400 | - | - | 3,582,490 |
| Receivables: | | | | | | | | | |
| Taxes | 13,099,537 | - | 364,901 | 446,174 | - | - | - | - | 13,910,612 |
| Accounts | 2,007 | - | - | - | 26,776 | - | - | - | 28,783 |
| Intergovernmental | - | 20,484 | - | - | - | - | - | - | 20,484 |
| Accrued interest | 42,440 | - | - | - | - | 371 | - | - | 42,811 |
| Interfund receivable | 835 | - | - | - | - | - | - | - | 835 |
| Materials and supplies inventory | 77,441 | - | - | - | 32,792 | - | - | - | 110,233 |
| Prepaid items | 87,782 | - | - | - | 13 | - | - | - | 87,795 |
| Restricted assets: | | | | | | | | | |
| Cash and cash equivalents | 67,227 | - | - | - | - | - | - | - | 67,227 |
| Property, plant and equipment | - | - | - | - | 294,643 | - | 20,469,244 | - | 20,763,887 |
| Accumulated depreciation | - | - | - | - | (199,687) | - | - | - | (199,687) |
| Other debits: | | | | | | | | | |
| Amount in debt service fund | - | - | - | - | - | - | - | 308,078 | 308,078 |
| Amount in severance benefits fund | - | - | - | - | - | - | - | 459,741 | 459,741 |
| Amount to be provided for general long-term obligations | - | - | - | - | - | - | - | 4,700,935 | 4,700,935 |
| Total assets and other debits | \$ 21,553,856 | \$ 1,519,488 | \$ 635,268 | \$ 950,989 | \$ 549,114 | \$ 122,787 | \$ 20,469,244 | \$ 3,468,754 | \$ 51,269,500 |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 59,808 | \$ 12,412 | \$ - | \$ - | \$ 385 | \$ 24 | \$ - | \$ - | \$ 72,629 |
| Accrued wages and benefits | 2,002,821 | 52,088 | - | - | 32,491 | 576 | - | - | 2,087,976 |
| Compensated absences payable | 57,289 | 156,458 | - | - | - | - | - | 2,432,122 | 2,645,869 |
| Interfund payables | - | 835 | - | - | - | - | - | - | 835 |
| Intergovernmental payable | 382,823 | 7,660 | - | - | 42,361 | - | - | 149,501 | 582,345 |
| Deferred revenue | 11,103,748 | 19,594 | 327,190 | 401,678 | 13,726 | 371 | - | - | 11,866,307 |
| Other current liabilities | - | - | - | - | - | 6,319 | - | - | 6,319 |
| Due to students | - | - | - | - | - | 63,186 | - | - | 63,186 |
| General obligation bonds payable | - | - | - | - | - | - | - | 2,887,131 | 2,887,131 |
| Total liabilities | 13,606,489 | 249,047 | 327,190 | 401,678 | 88,963 | 70,476 | - | 3,468,754 | 20,212,597 |
| Equity and other credits | | | | | | | | | |
| Fund equity: | | | | | | | | | |
| Investment in general fixed assets | - | - | - | - | - | - | 20,469,244 | - | 20,469,244 |
| Retained earnings: | | | | | | | | | |
| Unreserved | - | - | - | - | 460,151 | - | - | - | 460,151 |
| Fund balances | | | | | | | | | |
| Reserved for encumbrances | 214,097 | 104,607 | - | 64,390 | - | - | - | - | 383,094 |
| Reserved for inventory | 77,441 | - | - | - | - | - | - | - | 77,441 |
| Reserved for prepaid items | 87,782 | - | - | - | - | - | - | - | 87,782 |
| Reserved for severance benefits | - | 459,741 | - | - | - | - | - | - | 459,741 |
| Reserved for debt service principal | - | - | 45,059 | - | - | - | - | - | 45,059 |
| Reserved for debt service interest | - | - | 263,019 | - | - | - | - | - | 263,019 |
| Reserved for advances | 835 | - | - | - | - | - | - | - | 835 |
| Reserved for contributions | - | - | - | - | - | 43,109 | - | - | 43,109 |
| Reserved for budget stabilization | 67,227 | - | - | - | - | - | - | - | 67,227 |
| Unreserved, undesignated | 7,499,985 | 706,093 | - | 484,921 | - | 9,202 | - | - | 8,700,201 |
| Total equity and other credits | 7,947,367 | 1,270,441 | 308,078 | 549,311 | 460,151 | 52,311 | 20,469,244 | - | 31,056,903 |
| Total liabilities, equity and other credits | \$ 21,553,856 | \$ 1,519,488 | \$ 635,268 | \$ 950,989 | \$ 549,114 | \$ 122,787 | \$ 20,469,244 | \$ 3,468,754 | \$ 51,269,500 |

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

Bowling Green City School District, Wood County
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
 All Governmental Fund Types and Expendable Trust Funds
 For Year Ended June 30, 2002

| | Governmental Fund Types | | | | Fiduciary | Totals |
|------------------------------------------------------------------------------------------------------|-------------------------|---------------------|-------------------|-------------------|------------------|----------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | (Memorandum Only) |
| Revenues: | | | | | | |
| Taxes | \$ 14,903,182 | \$ - | \$ 368,975 | \$ 453,474 | \$ - | \$ 15,725,631 |
| Intergovernmental | 8,506,286 | 1,051,059 | 39,234 | 59,406 | - | 9,655,985 |
| Interest | 527,296 | 944 | - | - | 81 | 528,321 |
| Tuition and fees | 16,856 | - | - | - | - | 16,856 |
| Extracurricular activities | - | 224,178 | - | - | - | 224,178 |
| Charges for services | 7,362 | - | - | - | - | 7,362 |
| Miscellaneous | 99,580 | 165,437 | - | - | - | 265,017 |
| Total Revenues | 24,060,562 | 1,441,618 | 408,209 | 512,880 | 81 | 26,423,350 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction | 14,707,006 | 1,175,207 | - | - | - | 15,882,213 |
| Support services | 8,387,486 | 467,487 | 3,969 | 4,972 | - | 8,863,914 |
| Non-instructional services | 3,019 | 230,447 | - | - | 250 | 233,716 |
| Extracurricular activities | 480,758 | 267,175 | - | - | - | 747,933 |
| Capital outlay | 1,510 | - | - | 323,859 | - | 325,369 |
| Debt service: | - | - | 473,570 | - | - | 473,570 |
| Total expenditures | 23,579,779 | 2,140,316 | 477,539 | 328,831 | 250 | 26,526,715 |
| Excess (deficiency) of revenues over expenditures | 480,783 | (698,698) | (69,330) | 184,049 | (169) | (103,365) |
| Other financing sources (uses) | | | | | | |
| Operating transfers in | - | 446,849 | - | - | - | 446,849 |
| Operating transfers (out) | (453,299) | - | - | - | - | (453,299) |
| Proceeds from sale of fixed assets | 710 | - | - | - | - | 710 |
| Other financing sources | 31,237 | 66 | - | - | - | 31,303 |
| Other financing (uses) | (300) | (1,185) | - | - | - | (1,485) |
| Total other financing sources (uses) | (421,652) | 445,730 | - | - | - | 24,078 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses | 59,131 | (252,968) | (69,330) | 184,049 | (169) | (79,287) |
| Fund balance July 1 | 7,899,449 | 1,523,409 | 377,408 | 365,262 | 2,846 | 10,168,374 |
| Increase (decrease) in reserve for inventory | (11,213) | - | - | - | - | (11,213) |
| Fund balance June 30 | \$ 7,947,367 | \$ 1,270,441 | \$ 308,078 | \$ 549,311 | \$ 2,677 | \$ 10,077,874 |

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

Bowling Green City School District, Wood County
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Budget to Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 2002

| | General | | | Special Revenue | | | Debt Service | | | Capital Projects | | | Totals (Memorandum only) | | |
|----------------------------------------------------------------------------------------------------------------|---------------------|---------------------|-----------------------------------|-------------------|---------------------|-----------------------------------|-------------------|-------------------|-----------------------------------|------------------|-------------------|-----------------------------------|--------------------------|----------------------|-----------------------------------|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | | | | | | | | | | | | | |
| From local sources: | | | | | | | | | | | | | | | |
| Taxes | \$ 14,725,201 | \$ 14,760,491 | \$ 35,290 | \$ - | \$ - | \$ - | \$ 362,465 | \$ 362,477 | \$ 12 | \$ 445,072 | \$ 445,837 | \$ 765 | \$ 15,532,738 | \$ 15,568,805 | \$ 36,067 |
| Intergovernmental | 8,580,780 | 8,506,286 | (74,494) | 1,065,496 | 1,050,169 | (15,327) | 39,228 | 39,234 | 6 | 57,871 | 59,406 | 1,535 | 9,743,375 | 9,655,095 | (88,280) |
| Interest | 447,000 | 605,418 | 158,418 | 969 | 1,041 | 72 | - | - | - | - | - | - | 447,969 | 606,439 | 158,490 |
| Tuition and fees | 7,500 | 20,596 | 13,096 | - | - | - | - | - | - | - | - | - | 7,500 | 20,596 | 13,096 |
| Extracurricular activities | - | - | - | 181,250 | 224,178 | 42,928 | - | - | - | - | - | - | 181,250 | 224,178 | 42,928 |
| Charges for services | 6,000 | 8,678 | 2,678 | - | - | - | - | - | - | - | - | - | 6,000 | 8,678 | 2,678 |
| Miscellaneous | 165,214 | 170,877 | 5,663 | 348,824 | 165,436 | (183,388) | - | - | - | - | - | - | 314,038 | 336,313 | (177,725) |
| Total revenues | 23,931,695 | 24,072,346 | 140,651 | 1,596,539 | 1,440,824 | (155,715) | 401,693 | 401,711 | 18 | 502,943 | 505,243 | 2,300 | 26,432,870 | 26,420,124 | (12,746) |
| Expenditures: | | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | | |
| Instruction | 14,812,403 | 14,638,805 | 173,598 | 1,324,997 | 1,104,783 | 220,214 | - | - | - | - | - | - | 16,137,400 | 15,743,388 | 393,812 |
| Support services | 9,094,133 | 8,673,417 | 420,716 | 1,066,083 | 552,688 | 513,395 | 10,000 | 3,971 | 6,029 | 10,000 | 4,972 | 5,028 | 10,180,216 | 9,235,048 | 945,168 |
| Non-instructional services | 5,000 | 3,794 | 1,206 | 258,775 | 229,752 | 29,023 | - | - | - | - | - | - | 263,775 | 233,546 | 30,229 |
| Extracurricular activities | 537,106 | 483,796 | 53,310 | 316,190 | 288,285 | 27,905 | - | - | - | - | - | - | 853,296 | 772,081 | 81,215 |
| Capital outlay | 3,500 | 1,510 | 1,990 | - | - | - | - | - | - | 760,508 | 388,946 | 371,562 | 764,008 | 390,456 | 373,552 |
| Debt service | - | - | - | - | - | - | 473,615 | 473,570 | 45 | - | - | - | 473,615 | 473,570 | 45 |
| Total expenditures | 24,452,142 | 23,801,322 | 650,820 | 2,966,045 | 2,175,508 | 790,537 | 483,615 | 477,541 | 6,074 | 770,508 | 393,918 | 376,590 | 28,672,310 | 26,848,289 | 1,824,021 |
| Excess (deficiency) of revenues over (under) expenditures | (520,447) | 271,024 | 791,471 | (1,369,506) | (734,684) | 634,822 | (81,922) | (75,830) | 6,092 | (267,565) | 111,325 | 378,890 | (2,239,440) | (428,165) | 1,811,275 |
| Other financing sources (uses): | | | | | | | | | | | | | | | |
| Operating transfers in | - | - | - | 278,637 | 446,849 | 168,212 | - | - | - | - | - | - | 278,637 | 446,849 | 168,212 |
| Operating transfers (out) | (453,350) | (453,299) | 51 | - | - | - | - | - | - | - | - | - | (453,350) | (453,299) | 51 |
| Advances in | - | 9,336 | 9,336 | - | 835 | 835 | - | - | - | - | - | - | - | 10,171 | 10,171 |
| Advances (out) | - | (835) | (835) | - | - | - | - | - | - | - | - | - | - | (10,171) | (10,171) |
| Proceeds of sale of fixed assets | - | 479 | 479 | - | - | - | - | - | - | - | (9,336) | (9,336) | - | 479 | 479 |
| Refund of prior years expenditures | 30,000 | 31,237 | 1,237 | - | 66 | 66 | - | - | - | - | - | - | 30,000 | 31,303 | 1,303 |
| Refund of prior year receipts | (300) | (300) | - | (1,188) | (1,185) | 3 | - | - | - | - | - | - | (1,488) | (1,485) | 3 |
| Total other financing sources (uses) | (423,650) | (413,382) | 10,268 | 277,449 | 446,565 | 169,116 | - | - | - | - | (9,336) | (9,336) | (146,201) | 23,847 | 170,048 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (944,097) | (142,358) | 801,739 | (1,092,057) | (288,119) | 803,938 | (81,922) | (75,830) | 6,092 | (267,565) | 101,989 | 369,554 | (2,385,641) | (404,318) | 1,981,323 |
| Fund balance, July 1 | 7,995,644 | 7,995,644 | - | 1,556,787 | 1,556,787 | - | 346,195 | 346,195 | - | 277,927 | 277,927 | - | 10,176,553 | 10,176,553 | - |
| Prior year encumbrances appropriated | 63,722 | 63,722 | - | 124,408 | 124,408 | - | - | - | - | 60,509 | 60,509 | - | 248,639 | 248,639 | - |
| Fund balance, June 30 | \$ 7,115,269 | \$ 7,917,008 | \$ 801,739 | \$ 589,138 | \$ 1,393,076 | \$ 803,938 | \$ 264,273 | \$ 270,365 | \$ 6,092 | \$ 70,871 | \$ 440,425 | \$ 369,554 | \$ 8,039,551 | \$ 10,020,874 | \$ 1,981,323 |

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

Bowling Green City School District, Wood County
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Budget to Actual (Non-GAAP Budgetary Basis)
 Expendable Trust Funds
 For the Year Ended June 30, 2002

| | Expendable Trusts | | |
|--------------------------------------------------------------|-------------------|----------|-----------------------------------------|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | |
| From local sources | | | |
| Earnings on investments | \$ 140 | \$ 81 | \$ (59) |
| Other local revenue | 360 | - | (360) |
| Total revenues | 500 | 81 | (419) |
| Expenditures: | | | |
| Current: | | | |
| Non-instructional services | 1,969 | 250 | 1,719 |
| Total expenditures | 1,969 | 250 | 1,719 |
| Excess (deficiency) of revenues over (under) expenditures | (1,469) | (169) | 1,300 |
| Fund balance, July 1 | 2,846 | 2,846 | - |
| Prior year encumbrances appropriated | - | - | - |
| Fund balance, June 30 | \$ 1,377 | \$ 2,677 | \$ 1,300 |

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

Bowling Green City School District, Wood County
 Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -
 All Proprietary Fund Types and Nonexpendable Trust Funds
 For Year Ended June 30, 2002

| | Proprietary Fund Type | Fiduciary Fund Type | Totals (Memorandum Only) |
|-----------------------------------------------------------|--------------------------|------------------------|--------------------------------|
| | Enterprise | Nonexpendable Trust | |
| Operating revenues: | | | |
| Sales | \$ 645,298 | \$ - | \$ 645,298 |
| Other operating revenues | 1,634 | - | 1,634 |
| Interest revenue | - | 2,211 | 2,211 |
| Contributions and donations | - | 1,200 | 1,200 |
| Total operating revenues | <u>646,932</u> | <u>3,411</u> | <u>650,343</u> |
| Operating expenses: | | | |
| Salaries and wages | 320,367 | - | 320,367 |
| Fringe benefits | 129,071 | - | 129,071 |
| Purchased services | 10,226 | - | 10,226 |
| Materials and supplies | 402,694 | 1,000 | 403,694 |
| Cost of sales | 62,693 | - | 62,693 |
| Depreciation | 9,262 | - | 9,262 |
| Other operating expenses | 1,901 | 1,764 | 3,665 |
| Total operating expenses | <u>936,214</u> | <u>2,764</u> | <u>938,978</u> |
| Operating income (loss) | (289,282) | 647 | (288,635) |
| Nonoperating revenues (expenses): | | | |
| Interest revenue | 16,223 | - | 16,223 |
| Other nonoperating revenue | 1,701 | - | 1,701 |
| Federal and state subsidies | 188,985 | - | 188,985 |
| Federal donated commodities | 62,693 | - | 62,693 |
| Total nonoperating revenues (expenses) | <u>269,602</u> | <u>-</u> | <u>269,602</u> |
| Net income (loss) before operating transfers | (19,680) | 647 | (19,033) |
| Operating transfers-in | <u>6,450</u> | <u>-</u> | <u>6,450</u> |
| Net income (loss) | (13,230) | 647 | (12,583) |
| Retained earnings/ fund balance at July 1, as restated | <u>473,381</u> | <u>48,987</u> | <u>522,368</u> |
| Retained earnings/ fund balance at June 30 | <u>\$ 460,151</u> | <u>\$ 49,634</u> | <u>\$ 509,785</u> |

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

Bowling Green City School District, Wood County
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Nonexpendable Trust Funds
 For Year Ended June 30, 2002

| | Proprietary Fund Type | Fiduciary Fund Type | Totals (Memorandum only) |
|----------------------------------------------------------------------------------------------------|--------------------------|------------------------|--------------------------------|
| | Enterprise | Nonexpendable Trust | |
| Cash flows from operating activities: | | | |
| Cash received from sales | \$ 645,298 | \$ - | \$ 645,298 |
| Cash received from contributions and donations | - | 1,200 | 1,200 |
| Cash received from other revenues | 1,634 | - | 1,634 |
| Cash payments for employee services | (319,574) | - | (319,574) |
| Cash payments for employee benefits | (119,042) | - | (119,042) |
| Cash payments for contract services | (10,226) | - | (10,226) |
| Cash payments for supplies and materials | (408,490) | (1,000) | (409,490) |
| Cash payments for other expenses | (1,829) | (1,764) | (3,593) |
| Net cash provided by (used for) operating activities | (212,229) | (1,564) | (213,793) |
| Cash flows from noncapital financing activities: | | | |
| Federal and state subsidies | 162,209 | - | 162,209 |
| Operating transfers in | 6,450 | - | 6,450 |
| Other non-operating income | 1,701 | - | 1,701 |
| Net cash provided by (used for) noncapital financing activities | 170,360 | - | 170,360 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of investments | 350,000 | 93,690 | 443,690 |
| Purchase of investments | (100,000) | (95,950) | (195,950) |
| Interest on investments | 16,223 | 2,211 | 18,434 |
| Net cash provided by investing activities | 266,223 | (49) | 266,174 |
| Cash flows from capital and related financing activities: | | | |
| Acquisition/Disposition of capital assets | (1,934) | - | (1,934) |
| Net cash used for capital and related financing activities | (1,934) | - | (1,934) |
| Net increase (decrease) in cash and cash equivalents | 222,420 | (1,613) | 220,807 |
| Cash and cash equivalents at beginning of year | 172,157 | 2,897 | 175,054 |
| Cash and cash equivalents at end of year | \$ 394,577 | \$ 1,284 | \$ 395,861 |
| Reconciliation of operating income to net cash provided by (used for) operating activities: | | | |
| Operating income (loss) | \$ (289,282) | \$ 647 | \$ (288,635) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | |
| Depreciation | 9,262 | | 9,262 |
| Other adjustments to non-operating income | 62,693 | (2,211) | 60,482 |
| Changes in assets and liabilities: | | | |
| Materials and Supplies inventory | (10,147) | | (10,147) |
| Receivables | 182 | | 182 |
| Prepayments | 72 | | 72 |
| Accrued interest | 4,274 | | 4,274 |
| Accounts payable | 385 | | 385 |
| Accrued wages and benefits | 245 | | 245 |
| Intergovernmental payable | 10,577 | | 10,577 |
| Deferred revenue | (490) | | (490) |
| Net cash provided by (used for) operating activities | \$ (212,229) | \$ (1,564) | \$ (213,793) |
| Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002: | | | |
| Cash and Cash Equivalents - Trust and Agency Funds | | | \$ 72,016 |
| Less: Expendable Trust Funds | | | (627) |
| Less: Agency Funds | | | (70,105) |
| Cash and Cash Equivalents - Nonexpendable Trust Funds | | | \$ 1,284 |

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

Average daily membership (ADM) as of October, 2001 was 3142. The District's average employment was 255 certificated employees and 132 non-certificated employees. In addition, the District employed numerous substitute employees to cover the duties of absent employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

Jointly Governed Organization:

Penta County Joint Vocational School District

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

The District also participates in two insurance group purchasing pools, described in Note 11.

Non-public Schools

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

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

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

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's Proprietary Fund Type:

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

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

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Operating statements of the funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary Funds and Nonexpendable Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined while "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after the June 30 year-end.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

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

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

The Proprietary and Nonexpendable Trust Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15 of the preceding fiscal year, the Superintendent and Treasurer submit to the Board of Education a proposed tax budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted tax budget is filed with the Wood County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets (Continued)

contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. While the District uses an expenditure account coding system consisting of a minimum of fund number, a four digit function, and a three digit object, the Board adopted appropriation is at the fund and first digit of function level of expenditures, which are considered the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter first digit function appropriations within a fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002 in the following amounts:

| | |
|-----------------------|------------|
| General Fund | \$686,455 |
| Special Revenue Funds | \$195,317 |
| Enterprise Funds | \$ (1,300) |
| Agency Funds | \$ 3,872 |

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

Cash received by the District is deposited in a central bank account with individual fund balance integrity maintained. Monies for all funds are maintained in this account or temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired by the District) which are stated at cost. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings are credited to the General Fund except those specified according to Board Resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest revenue credited to the General fund during fiscal year 2002 amounted to \$527,296 while interest in the amount of \$19,459 was credited to other District funds.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

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

An analysis of the Treasurer's investment account at year end is provided in Note 3.

F. Inventory

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

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

G. Prepays

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these funds is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than five years. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

| <u>Asset</u> | <u>Life (years)</u> |
|-----------------------------------------|---------------------|
| Furniture, Fixtures and Minor Equipment | 5-20 |

I. Intergovernmental Revenues

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

J. Compensated Absences

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

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

Accumulated vacation and severance of Governmental Fund type employees meeting the above requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary Funds is recorded as an expense when earned.

K. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental Fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary Fund operations are accounted for in those funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, debt service, prepaids, and as revenue unavailable for appropriation. In addition, although the Nonexpendable Trust Fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment and scholarships. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

M. Interfund Transactions

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

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

N. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents or investments set aside to establish budget stabilization, textbook and capital acquisition reserves. These reserves are required by State statute. See additional information disclosed at footnote 16.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. Estimates

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

Q. Change in Accounting Estimate

Effective July 1, 2001, the District changed its capitalization policy for recording fixed assets. This change has been accounted for as a change in accounting estimate. The effect of this change resulted in a \$433,386 reduction in the beginning balance of the General Fixed Assets Account Group. The change in the capitalization policy was a result of differences in asset costs between the time that the previous policy was adopted and the current fiscal year and due to a perceived lack of future economic benefit to be derived from deferring the costs of smaller fixed assets.

The District also applied this new capitalization level to proprietary funds. This new capitalization level resulted in the following change to the beginning retained earnings balance in the enterprise funds:

| | |
|------------------------------------------|------------------|
| Retained earnings June 30, 2001 | \$483,273 |
| Restatement of fixed assets | <u>(9,892)</u> |
| Retained earnings June 30, 2001 restated | <u>\$473,381</u> |

NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS (continued)

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

Interim monies are permitted to be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the District has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

Deposits: At year end, the carrying amount of the District’s deposits was \$8,233,675 and the bank balance was \$9,240,573. Of the entire bank balance, \$242,498 was covered by federal depository insurance, \$534,979 was insured by surety company bonds, and \$8,463,096 was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District.

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

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

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

| | <u>Category 1</u> | <u>Category 3</u> | <u>Carrying Value</u> | <u>Market Value</u> |
|--------------------------------|-------------------|-------------------|---------------------------|-------------------------|
| Repurchase Agreements | | \$1,010,049 | \$1,010,049 | \$1,010,049 |
| Federal Agency Securities | \$1,500,000 | | 1,500,000 | 1,500,000 |
| Not subject to categorization: | | | | |
| Investment in State | | | | |
| Treasurer’s Investment Pool | | | <u>290,654</u> | <u>290,654</u> |
| Total Investments | | | <u>\$2,800,703</u> | <u>\$2,800,703</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 Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting”.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

| | Total Cash and Cash Equivalent | |
|-----------------------------------------|-----------------------------------|--------------------|
| | <u>Deposits</u> | <u>Investments</u> |
| Per GASB Statement No. 9 | \$7,452,503 | \$3,582,490 |
| Reclassifications: | | |
| State Treasurer's Investment Pool | (290,654) | 290,654 |
| Repurchase Agreements | (1,010,049) | 1,010,049 |
| Certificates of Deposit | 2,082,490 | (2,082,490) |
| Less Cash on Hand | (615) | |
| Carrying amount per GASB Statement 3 | \$8,233,675 | \$2,800,703 |
| Classification in Balance Sheet: | | |
| Unrestricted | \$7,385,276 | \$3,582,490 |
| Restricted | 67,227 | |
| | \$7,452,503 | \$3,582,490 |

NOTE 4 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------|---------------------|----------------------|
| General Fund | \$ - | \$(453,299) |
| Special Revenue Funds: | | |
| Severance Benefits | 368,200 | - |
| Title I | 77,640 | |
| Title VI | 1,009 | - |
| Enterprise Funds: | | |
| Uniform School Supplies | 6,450 | - |
| Totals | \$453,299 | \$(453,299) |

Interfund loans Receivable/Payable - Short-term loans at June 30 from one individual fund to another are as follow:

| <u>Fund</u> | Interfund Loan <u>Receivable</u> | Interfund Loan <u>Payable</u> |
|-------------------------------|----------------------------------------|-------------------------------------|
| General Fund | \$835 | |
| Special Revenue Title VI-R | | \$835 |

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 5 – TAXES

A. Property Tax

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

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was \$506,567,512. Agricultural/Residential, public utility and mineral real estate represented 59% or \$299,335,740 of this total; Commercial & Industrial real estate represented 27% or \$135,558,040; public utility tangible 2% or \$10,440,990; and general tangible property 12% or \$61,232,742. The voted general tax rate for operations at the fiscal year ended June 30, 2002, was \$42.40 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$.80 per \$1,000.00 of assessed valuation; and the voted rate for permanent improvements was \$1.20 per \$1,000.00 of assessed valuation.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable, in accordance with GASB 33, as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

B. School District Income Tax

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 6 - RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, accounts (tuition and student fees), accrued interest, intergovernmental, and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

NOTE 7 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

| <u>Asset Category</u> | <u>Restated Balance at 7/1/01</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at 6/30/02</u> |
|----------------------------|-------------------------------------------|-------------------|-------------------|-------------------------------|
| Land | \$ 289,510 | \$ 0 | \$ 0 | \$ 289,510 |
| Buildings & Improvements | 14,045,173 | 287,995 | 0 | 14,333,168 |
| Furniture/Equipment | 4,180,268 | 316,078 | 192,565 | 4,303,781 |
| Vehicles | 1,531,181 | 105,146 | 93,542 | 1,542,785 |
| Total General Fixed Assets | <u>\$ 20,046,132</u> | <u>\$ 709,219</u> | <u>\$ 286,107</u> | <u>\$ 20,469,244</u> |

A summary of the Proprietary fixed assets at June 30, 2002, follows:

| | |
|--------------------------------|------------------|
| Furniture and Equipment | \$294,643 |
| Less: Accumulated Depreciation | <u>(199,687)</u> |
| Net Fixed Assets | <u>\$ 94,956</u> |

NOTE 8 - LONG-TERM DEBT

All current bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund.

A. The following is a description of the Bowling Green City School District bonds outstanding as of June 30, 2002:

| | <u>Interest Rates</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Bonds Outstanding At 7/1/01</u> | <u>New Issues During 2002</u> | <u>Retired In 2002</u> | <u>Bonds Outstanding At 6/30/02</u> |
|---------------------------------------|---------------------------|-----------------------|--------------------------|--------------------------------------------|-----------------------------------|----------------------------|---------------------------------------------|
| Refunding Building Improvements | 4.5- 5.7% | 6/8/95 | 12/1/11 | \$2,727,169 | \$-0- | \$77,110 | \$2,650,059 |
| | | | | | Accreted Interest at 6/30/02 | | <u>237,072</u> |
| | | | | | Amount per Balance Sheet | | <u>\$2,887,131</u> |

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 8 - LONG-TERM DEBT (Continued)

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

| Year Ending <u>June 30</u> | Principal on <u>General Obligation</u> | Interest on <u>General Obligation</u> | <u>Total</u> |
|-------------------------------|-------------------------------------------|------------------------------------------|--------------------|
| 2003 | \$ 45,059 | \$ 413,511 | \$ 458,570 |
| 2004 | 285,000 | 131,516 | 416,516 |
| 2005 | 285,000 | 117,266 | 402,266 |
| 2006 | 290,000 | 102,602 | 392,602 |
| 2007 | 290,000 | 87,595 | 377,595 |
| 2008-2012 | 1,455,000 | 204,728 | 1,659,728 |
| Total | <u>\$2,650,059</u> | <u>\$1,057,218</u> | <u>\$3,707,277</u> |

C. During the year ended June 30, 2002 the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

| | Balance at <u>7/1/01</u> | <u>Increase</u> | <u>Decrease</u> | Balance at <u>6/30/02</u> |
|----------------------------|-----------------------------|------------------|------------------|------------------------------|
| Compensated Absences: | | | | |
| Sick leave (severance) | \$2,386,547 | \$136,436 | \$221,933 | \$2,301,050 |
| Vacation | 119,993 | 163,466 | 152,387 | 131,072 |
| Pension Obligation Payable | 168,863 | 149,501 | 168,863 | 149,501 |
| General Obligation Bonds | 3,122,510 | 99,620 | 334,999 | 2,887,131 |
| Total | <u>\$5,797,913</u> | <u>\$549,023</u> | <u>\$878,182</u> | <u>\$5,468,754</u> |

The increase in General Obligation Bonds Payable is not for new issues of bonds but is to account for accreted interest for capital appreciation bonds having a maturity of December 1, 2002.

NOTE 9- FUND BALANCE DEFICITS

Fund balances at June 30, 2002, included the following individual fund deficits:

| <u>Special Revenue</u> | <u>GAAP Basis</u> |
|------------------------|-------------------|
| Title VI-R | \$ (154) |
| Title VI | (2,167) |
| Title I | (6,960) |

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 10 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for the operations of Food Services and Uniform School Supplies. The table below reflects, in a summarized format, the more significant data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2002:

| | Food <u>Service</u> | Uniform School <u>Supplies</u> | <u>Total</u> |
|-------------------------|------------------------|--------------------------------------|--------------|
| Operating Revenues | \$602,592 | \$ 44,340 | \$646,932 |
| Depreciation | 9,262 | - | 9,262 |
| Operating Income (Loss) | (285,465) | (3,817) | (289,282) |
| Operating Grants | 188,985 | - | 188,985 |
| Net Income (Loss) | (17,564) | (2,116) | (19,680) |
| Net Working Capital | 356,131 | 9,064 | 365,195 |
| Total Assets | 540,050 | 9,064 | 549,114 |
| Total Liabilities | 88,963 | - | 88,963 |
| Total Fund Equity | 451,087 | 9,064 | 460,151 |

NOTE 11 - RISK MANAGEMENT

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

Real property and contents have a liability limit of \$63,479,963 with 90% co-insurance.

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

The District has liability insurance coverage limits of \$1,000,000 each occurrence and \$5,000,000 annual aggregate.

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

Wood County Schools Health Insurance Consortium

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

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 11 - RISK MANAGEMENT (continued)

and payment of monthly premiums. Financial information may be obtained from Sharon Gillespie, Medical Mutual of Ohio, 3737 Sylvania Avenue, Toledo, Ohio 43623.

OSBA Worker's Compensation Group Rating

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and Bowling Green City School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2002, 2001, and 2000 were \$460,884, \$460,068, and \$435,360, respectively. As of June 30, 2002, forty-six percent has been contributed for fiscal year 2002 and one hundred percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002 of \$261,233 is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 9.5% of annual covered salary was the

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,842,688, \$1,668,200, and \$1,643,496, respectively. As of June 30, 2002, eighty-three percent has been contributed for fiscal year 2002 and one hundred percent for fiscal years 2001 and 2000. The unpaid contributions of \$321,208 for fiscal year 2002 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

For STRS, most benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits were paid for fiscal year ended June 30, 2002. For the District, this amount equaled \$545,951 during the 2002 fiscal year. As of June 30, 2001 (the latest information available), eligible benefit recipients totaled 102,132. For the fiscal year ended June 30, 2001 net health care costs paid by STRS were \$300,772,000.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002 (the latest information available) the allocation rate was 8.54 percent, a decrease from 9.80 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 SERS' net assets available for payment of health care benefits was \$335.2 million, with approximately 50,000 participants receiving health care benefits. The portion of the District's contributions used to fund postemployment benefits was \$297,250 for the fiscal year ending June 30, 2002.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 14 - OTHER EMPLOYEE BENEFITS - DEFERRED COMPENSATION PLANS

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

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis):
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis):
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental Funds are as follows:

| | Excess of Revenues and Other Financing Sources Over (Under) | | | | |
|-----------------------------------------|-------------------------------------------------------------|--------------------|--------------------|------------------|-------------------|
| | <u>Expenditures and Other Financing Uses</u> | | | | |
| | <u>General</u> | <u>Special</u> | <u>Debt</u> | <u>Capital</u> | <u>Expendable</u> |
| | | <u>Revenue</u> | <u>Service</u> | <u>Projects</u> | <u>Trusts</u> |
| Budget Basis | (\$142,358) | (\$288,119) | (\$ 75,830) | \$101,989 | (\$ 169) |
| Net adjustment for revenue accruals | (11,784) | 794 | 6,500 | 7,637 | -0- |
| Net adjustment for expenditure accruals | (104,312) | (70,736) | -0- | 697 | -0- |
| Net adjustment for other | | | | | |
| Financing sources (uses) | (8,270) | (835) | -0- | 9,336 | -0- |
| Adjustment for encumbrances | 325,855 | 105,928 | -0- | 64,390 | -0- |
| GAAP Basis | <u>\$ 59,131</u> | <u>(\$252,968)</u> | <u>(\$ 69,330)</u> | <u>\$184,049</u> | <u>(\$ 169)</u> |

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 16 - SET-ASIDES

The Ohio Legislature has passed H.B. 412 which requires school districts to “set aside” money from the General Fund for three purposes: textbooks and materials, capital acquisition, and budget stabilization. Subsequently, Am. Sub. Senate Bill 345, effective April 10, 2001, eliminated the requirement for the budget reserve set-aside. The District’s requirements for fiscal year 2002 and the balances to be carried forward at year-end are presented below:

| | Textbooks & Materials | Capital Acquisition | Budget Stabilization |
|--------------------------------------------|--------------------------|------------------------|-------------------------|
| Set-aside Cash Balance as of July 1, 2001 | (\$ 890,714) | \$ -0- | \$127,227 |
| Current Year Set-aside Requirement | 391,767 | 391,767 | -0- |
| Current Year Offsets | -0- | 493,133 | -0- |
| Qualifying Disbursements | 899,629 | -0- | 60,000 |
| Total | <u>(1,398,576)</u> | <u>(101,366)</u> | <u>67,227</u> |
| Cash Balance Carried Forward to FY 2003 | <u>(1,398,576)</u> | <u>-0-</u> | <u>67,227</u> |
| Amount Restricted for Budget Stabilization | | | <u>67,227</u> |

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

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. Litigation

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

C. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis in determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

NOTE 17 - CONTINGENT LIABILITIES (Continued)

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the

requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. This case is now under reconsideration by the Court.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

BOWLING GREEN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2002

| <u>Federal Grantor/Pass – Through Grantor Program Titles</u> | <u>Project Number</u> | <u>CFDA Number</u> | <u>Program Award Amount</u> | <u>Grant Receipts</u> | <u>Grant Expenditures</u> |
|--------------------------------------------------------------|---------------------------|------------------------|-------------------------------------|---------------------------|-------------------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | |
| Pass through Ohio Department of Education: | | | | | |
| Title I | 43638C1-S1-01 | 84.010 | \$260,705 | \$ - | \$ 15,076 |
| | 43638C1-S1-02 | 84.010 | <u>261,467</u> | <u>261,412</u> | <u>261,412</u> |
| | | | 522,172 | 261,412 | 276,488 |
| Title VI | 43638C2-S1-00 | 84.151 | 18,797 | - | 69 |
| | 43638C2-S1-01 | 84.151 | 18,364 | 42 | 323 |
| | 43638C2-S1-02 | 84.151 | <u>19,214</u> | <u>19,214</u> | <u>18,388</u> |
| | | | 56,375 | 19,256 | 18,780 |
| Title VI-B | 436386B-SF01P | 84.027 | 251,550 | - | 13,531 |
| | 436386B-SF02P | 84.027 | 288,193 | 288,193 | 270,436 |
| | 436386B-SV02P | 84.027 | <u>28,500</u> | <u>8,550</u> | <u>2,202</u> |
| | | | 568,243 | 296,743 | 286,169 |
| Goals 2000 | 43638G-2SP00 | 84.276 | 30,000 | - | 66 |
| Eisenhower Grant | 43638M-SS00 | 84.281 | 13,885 | - | 4,103 |
| | 43638M-SS01 | 84.281 | 13,199 | 1,276 | 9,529 |
| | 43638M-SS02 | 84.281 | <u>17,130</u> | <u>15,239</u> | <u>10,242</u> |
| | | | 44,214 | 16,515 | 23,874 |
| Title VI – Drug Free Schools | 43638DR-S1-02 | 84.186 | 13,346 | 13,346 | 12,838 |
| Raise the Bar | | 84.318 | 225,000 | - | 7,008 |
| Title VI-R – Class Reduction | 43638CR-S1-02 | 84.340 | 88,078 | <u>46,681</u> | <u>47,511</u> |
| TOTAL DEPARTMENT OF EDUCATION | | | | 653,953 | 672,734 |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | |
| Pass through Ohio Department of Education: | | | | | |
| <u>Nutrition Cluster</u> | | | | | |
| National School Lunch Program | | 10.555 | | 135,034 | 135,034 |
| National School Breakfast Program | | 10.553 | | 17,170 | 17,170 |
| Food Distribution Program | | 10.550 | | <u>62,692</u> | <u>58,726</u> |
| TOTAL DEPARTMENT OF AGRICULTURE | | | | <u>214,896</u> | <u>210,930</u> |
| TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS | | | | <u>\$868,849</u> | <u>\$883,664</u> |

NOTE – FOOD DISTRIBUTION

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



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

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

We have audited the general purpose financial statements of Bowling Green City School District as of and for the year ended June 30, 2002 and have issued our report thereon dated November 15 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Bowling Green City School District in a separate letter dated November 15, 2002

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

W. O'Brien, LTD

November 15, 2002



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

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

Compliance

We have audited the compliance of Bowling Green City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Bowling Green City School District in a separate letter dated November 15, 2002.



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Board of Education
Page Two

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

weber • obrien, LTD

November 15, 2002

BOWLING GREEN CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2002

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

| | | |
|-------------------------------------------------------------------|--|--------------------|
| Type of auditors' report issued on compliance for major programs: | | <u>Unqualified</u> |
|-------------------------------------------------------------------|--|--------------------|

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|
| 84.010 | Title I |

| | |
|--------------------------------------------------------------------------|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
|--------------------------------------------------------------------------|-----------|

| | | |
|----------------------------------------|------------|---------|
| Auditee qualified as low risk auditee? | ___X___yes | _____no |
|----------------------------------------|------------|---------|

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

BOWLING GREEN CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2002

NONE



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

BOWLING GREEN CITY SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2003**