



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Carey Exempted Village School District
Wyandot County
357 East South Street
Carey, Ohio 43316

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Carey Exempted Village School District, Wyandot County, Ohio, (the 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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JIM PETRO
Auditor of State

December 17, 2002

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Carey Exempted Village School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,260,043	\$145,400	\$0	\$200,382
Cash and Cash Equivalents with Fiscal Agent	0	304	0	0
Receivables:				
Property Taxes	2,357,590	0	71,332	110,334
Accounts	3,425	355	0	0
Intergovernmental	5,010	14,563	0	67
Accrued Interest	1,110	0	0	0
Prepaid Items	68,472	2,133	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	39,971	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	92,047	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount Available in Special Revenue Fund for Termination Benefits	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
Total Assets and Other Debits	\$3,827,668	\$162,755	\$71,332	\$310,783

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$65,280	\$58,353	\$0	\$0	\$1,729,458
0	0	0	0	304
0	0	0	0	2,539,256
10,267	0	0	0	14,047
5,847	0	0	0	25,487
0	0	0	0	1,110
2,644	0	0	0	73,249
46,763	0	0	0	46,763
858	0	0	0	40,829
0	0	0	0	92,047
26,512	0	5,629,402	0	5,655,914
0	0	0	16,392	16,392
0	0	0	72,933	72,933
0	0	0	749,013	749,013
<u>\$158,171</u>	<u>\$58,353</u>	<u>\$5,629,402</u>	<u>\$838,338</u>	<u>\$11,056,802</u>

(continued)

Carey Exempted Village School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002
 (continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity, and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$74,761	\$4,581	\$0	\$6,000
Accrued Wages and Benefits	499,774	11,855	0	0
Compensated Absences Payable	19,393	0	0	0
Intergovernmental Payable	138,066	10,704	0	0
Deferred Revenue	2,233,117	785	54,940	104,885
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
Total Liabilities	2,965,111	27,925	54,940	110,885
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Property Taxes	125,151	0	16,392	5,512
Reserved for Textbooks	6,454	0	0	0
Reserved for Capital Improvements	57,378	0	0	0
Reserved for Budget Stabilization	27,576	0	0	0
Reserved for Bus Purchase	639	0	0	0
Reserved for Encumbrances	48,849	12,687	0	50,966
Designated for Budget Stabilization	75,387	0	0	0
Designated for Termination Benefits	0	72,933	0	0
Unreserved, Undesignated	521,123	49,210	0	143,420
Total Fund Equity and Other Credits	862,557	134,830	16,392	199,898
Total Liabilities, Fund Equity, and Other Credits	\$3,827,668	\$162,755	\$71,332	\$310,783

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$1,320	\$0	\$0	\$0	\$86,662
14,640	0	0	0	526,269
4,481	0	0	424,560	448,434
12,717	0	0	41,727	203,214
0	0	0	0	2,393,727
0	50,908	0	0	50,908
0	0	0	67,051	67,051
0	0	0	305,000	305,000
<u>33,158</u>	<u>50,908</u>	<u>0</u>	<u>838,338</u>	<u>4,081,265</u>
0	0	5,629,402	0	5,629,402
125,013	0	0	0	125,013
0	0	0	0	147,055
0	0	0	0	6,454
0	0	0	0	57,378
0	0	0	0	27,576
0	0	0	0	639
0	0	0	0	112,502
0	0	0	0	75,387
0	0	0	0	72,933
0	7,445	0	0	721,198
<u>125,013</u>	<u>7,445</u>	<u>5,629,402</u>	<u>0</u>	<u>6,975,537</u>
<u>\$158,171</u>	<u>\$58,353</u>	<u>\$5,629,402</u>	<u>\$838,338</u>	<u>\$11,056,802</u>

Carey Exempted Village School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$1,624,770	\$0	\$19,590	\$188,279	\$0	\$1,832,639
Intergovernmental	3,384,252	326,670	0	65,926	0	3,776,848
Interest	69,272	461	0	0	142	69,875
Tuition and Fees	259,357	0	0	0	0	259,357
Extracurricular Activities	0	111,659	0	0	0	111,659
Gifts and Donations	0	0	0	0	3,000	3,000
Miscellaneous	97,688	4,000	0	0	0	101,688
Total Revenues	5,435,339	442,790	19,590	254,205	3,142	6,155,066
Expenditures:						
Current:						
Instruction:						
Regular	2,585,010	63,307	0	0	2,500	2,650,817
Special	468,261	102,649	0	595	127	571,632
Vocational	286,167	1,332	0	0	0	287,499
Other	282,324	0	0	0	0	282,324
Support Services:						
Pupils	315,037	27,173	0	0	0	342,210
Instructional Staff	302,065	75,421	0	7,096	0	384,582
Board of Education	27,896	0	0	0	0	27,896
Administration	522,193	9,499	0	0	0	531,692
Fiscal	193,112	0	0	7,322	0	200,434
Operation and Maintenance of Plant	339,081	0	0	15,728	0	354,809
Pupil Transportation	268,378	6,264	0	0	0	274,642
Central	45,985	0	0	0	0	45,985
Non-Instructional Services						
Extracurricular Activities	212,972	113,396	0	0	0	326,368
Capital Outlay	82,254	0	0	43,448	0	125,702
Debt Service:						
Principal Retirement	21,858	0	50,000	0	0	71,858
Interest and Fiscal Charges	2,575	0	18,230	2,027	0	22,832
Total Expenditures	5,955,168	513,141	68,230	76,216	2,627	6,615,382
Excess of Revenues Over (Under) Expenditures	(519,829)	(70,351)	(48,640)	177,989	515	(460,316)
Other Financing Sources (Uses):						
Inception of Capital Lease	82,254	0	0	0	0	82,254
Operating Transfers In	24,750	96,689	0	0	0	121,439
Operating Transfers Out	(96,689)	0	0	(24,750)	0	(121,439)
Total Other Financing Sources (Uses)	10,315	96,689	0	(24,750)	0	82,254
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(509,514)	26,338	(48,640)	153,239	515	(378,062)
Fund Balances at Beginning of Year	1,372,071	108,492	65,032	46,659	6,930	1,599,184
Fund Balances at End of Year	\$862,557	\$134,830	\$16,392	\$199,898	\$7,445	\$1,221,122

See Accompanying Notes to the General Purpose Financial Statements

Carey Exempted Village School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$2,046,984	\$1,987,704	(\$59,280)	\$0	\$0	\$0
Intergovernmental	3,325,000	3,384,224	59,224	290,216	304,903	14,687
Interest	50,000	69,488	19,488	0	461	461
Tuition and Fees	125,377	259,439	134,062	0	0	0
Extracurricular Activities	0	0	0	98,407	111,304	12,897
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	66,613	97,594	30,981	0	0	0
Total Revenues	<u>5,613,974</u>	<u>5,798,449</u>	<u>184,475</u>	<u>388,623</u>	<u>416,668</u>	<u>28,045</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	2,651,499	2,535,544	115,955	116,675	63,268	53,407
Special	528,984	467,922	61,062	132,034	113,322	18,712
Vocational	301,454	287,081	14,373	1,332	1,332	0
Other	290,000	282,324	7,676	0	0	0
Support Services:						
Pupils	337,087	324,985	12,102	20,775	29,289	(8,514)
Instructional Staff	339,973	320,896	19,077	82,303	78,522	3,781
Board of Education	32,359	29,741	2,618	0	0	0
Administration	529,730	513,583	16,147	37,700	8,631	29,069
Fiscal	215,023	199,109	15,914	0	0	0
Operation and Maintenance of Plant	405,721	386,883	18,838	0	0	0
Pupil Transportation	326,499	289,110	37,389	7,000	5,270	1,730
Central	92,306	45,418	46,888	0	0	0
Non-Instructional Services	0	0	0	110,987	118,571	(7,584)
Extracurricular Activities	218,167	208,863	9,304	123,249	120,124	3,125
Capital Outlay	5,670	0	5,670	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>6,274,472</u>	<u>5,891,459</u>	<u>383,013</u>	<u>632,055</u>	<u>538,329</u>	<u>93,726</u>
Excess of Revenues Over (Under) Expenditures	<u>(660,498)</u>	<u>(93,010)</u>	<u>567,488</u>	<u>(243,432)</u>	<u>(121,661)</u>	<u>121,771</u>
<u>Other Financing Sources (Uses):</u>						
Refund of Prior Year Expenditures	4,268	21	(4,247)	0	0	0
Refund of Prior Year Receipts	0	0	0	0	(96)	(96)
Other Financing Sources	900	42	(858)	4,000	4,000	0
Other Financing Uses	0	0	0	0	0	0
Advances In	0	181,861	181,861	0	78,300	78,300
Advances Out	0	(78,300)	(78,300)	0	(78,300)	(78,300)
Operating Transfers In	3,016	27,766	24,750	96,689	96,689	0
Operating Transfers Out	0	(96,689)	(96,689)	0	0	0
Total Other Financing Sources (Uses)	<u>8,184</u>	<u>34,701</u>	<u>26,517</u>	<u>100,689</u>	<u>100,593</u>	<u>(96)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(652,314)</u>	<u>(58,309)</u>	<u>594,005</u>	<u>(142,743)</u>	<u>(21,068)</u>	<u>121,675</u>
Fund Balances at Beginning of Year	1,139,585	1,139,585	0	105,576	105,576	0
Prior Year Encumbrances Appropriated	130,328	130,328	0	35,642	35,642	0
Fund Balances (Deficit) at End of Year	<u>\$617,599</u>	<u>\$1,211,604</u>	<u>\$594,005</u>	<u>(\$1,525)</u>	<u>\$120,150</u>	<u>\$121,675</u>

(continued)

Carey Exempted Village School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002
 (continued)

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$157,853	\$163,467	\$5,614	\$119,016	\$112,781	(\$6,235)
Intergovernmental	0	0	0	42,298	65,922	23,624
Interest	0	0	0	0	0	0
Tuition and Fees	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	<u>157,853</u>	<u>163,467</u>	<u>5,614</u>	<u>161,314</u>	<u>178,703</u>	<u>17,389</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	0	0	0	0	0	0
Special	0	0	0	8,842	8,624	218
Vocational	0	0	0	0	1,011	(1,011)
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	34,700	25,773	8,927
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	0	0	0	8,000	7,322	678
Operation and Maintenance of Plant	0	0	0	50,976	31,459	19,517
Pupil Transportation	0	0	0	93,439	50,966	42,473
Central	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	142,835	142,835	0	0	0	0
Interest and Fiscal Charges	20,641	20,632	9	0	0	0
Total Expenditures	<u>163,476</u>	<u>163,467</u>	<u>9</u>	<u>195,957</u>	<u>125,155</u>	<u>70,802</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,623)</u>	<u>0</u>	<u>5,623</u>	<u>(34,643)</u>	<u>53,548</u>	<u>88,191</u>
<u>Other Financing Sources (Uses):</u>						
Refund of Prior Year Expenditures	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	(1,756)	0	1,756
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	(103,561)	(103,561)
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	(3,016)	(27,766)	(24,750)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,772)</u>	<u>(131,327)</u>	<u>(126,555)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(5,623)</u>	<u>0</u>	<u>5,623</u>	<u>(39,415)</u>	<u>(77,779)</u>	<u>(38,364)</u>
Fund Balances at Beginning of Year	0	0	0	200,780	200,780	0
Prior Year Encumbrances Appropriated	0	0	0	20,415	20,415	0
Fund Balances (Deficit) at End of Year	<u>(\$5,623)</u>	<u>\$0</u>	<u>\$5,623</u>	<u>\$181,780</u>	<u>\$143,416</u>	<u>(\$38,364)</u>

See Accompanying Notes to the General Purpose Financial Statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,323,853	\$2,263,952	(\$59,901)
0	0	0	3,657,514	3,755,049	97,535
0	142	142	50,000	70,091	20,091
0	0	0	125,377	259,439	134,062
0	0	0	98,407	111,304	12,897
0	3,000	3,000	0	3,000	3,000
0	0	0	66,613	97,594	30,981
0	3,142	3,142	6,321,764	6,560,429	238,665
5,000	2,500	2,500	2,773,174	2,601,312	171,862
0	127	(127)	669,860	589,995	79,865
0	0	0	302,786	289,424	13,362
0	0	0	290,000	282,324	7,676
0	0	0	357,862	354,274	3,588
0	0	0	456,976	425,191	31,785
0	0	0	32,359	29,741	2,618
0	0	0	567,430	522,214	45,216
0	0	0	223,023	206,431	16,592
0	0	0	456,697	418,342	38,355
0	0	0	426,938	345,346	81,592
0	0	0	92,306	45,418	46,888
0	0	0	110,987	118,571	(7,584)
0	0	0	341,416	328,987	12,429
0	0	0	5,670	0	5,670
0	0	0	142,835	142,835	0
0	0	0	20,641	20,632	9
5,000	2,627	2,373	7,270,960	6,721,037	549,923
(5,000)	515	5,515	(949,196)	(160,608)	788,588
0	0	0	4,268	21	(4,247)
0	0	0	0	(96)	(96)
0	0	0	4,900	4,042	(858)
0	0	0	0	260,161	260,161
0	0	0	0	(260,161)	(260,161)
0	0	0	99,705	124,455	24,750
0	0	0	(3,016)	(124,455)	(121,439)
0	0	0	105,857	3,967	(101,890)
(5,000)	515	5,515	(843,339)	(156,641)	686,698
6,930	6,930	0	1,452,871	1,452,871	0
0	0	0	186,385	186,385	0
\$1,930	\$7,445	\$5,515	\$795,917	\$1,482,615	\$686,698

Carey Exempted Village School District
 Combined Statement of Revenues, Expenses,
 and Changes in Retained Earnings
 Enterprise Funds
 For the Fiscal Year Ended June 30, 2002

<u>Operating Revenues:</u>	
Sales	\$219,508
 <u>Operating Expenses:</u>	
Salaries	71,377
Fringe Benefits	39,856
Purchased Services	4,772
Materials and Supplies	10,024
Cost of Sales	144,403
Depreciation	1,580
Other Operating Expenses	586
Total Operating Expenses	272,598
 Operating Loss	 (53,090)
 <u>Non-Operating Revenues (Expenses):</u>	
Federal Donated Commodities	18,092
Operating Grants	52,440
Interest	1,221
Loss on Disposal of Fixed Assets	(1,980)
Total Non-Operating Revenues (Expenses)	69,773
 Net Income	 16,683
 Retained Earnings at Beginning of Year	 108,330
Retained Earnings at End of Year	\$125,013

See Accompanying Notes to the General Purpose Financial Statements

Carey Exempted Village School District
 Combined Statement of Revenues, Expenses,
 and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 Enterprise Funds
 For the Fiscal Year Ended June 30, 2002

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$259,000	\$220,307	(\$38,693)
Operating Grants	0	52,047	52,047
Interest	0	1,221	1,221
Total Revenues	<u>259,000</u>	<u>273,575</u>	<u>14,575</u>
<u>Expenses:</u>			
Salaries	71,080	69,731	1,349
Fringe Benefits	41,420	43,799	(2,379)
Purchased Services	12,596	5,383	7,213
Materials and Supplies	177,277	144,383	32,894
Capital Outlay	750	8,944	(8,194)
Other Expenses	600	586	14
Total Expenses	<u>303,723</u>	<u>272,826</u>	<u>30,897</u>
Excess of Revenues Over (Under) Expenses	(44,723)	749	45,472
Fund Balances at Beginning of Year	56,424	56,424	0
Prior Year Encumbrances Appropriated	3,723	3,723	0
Fund Balances at End of Year	<u>\$15,424</u>	<u>\$60,896</u>	<u>\$45,472</u>

See Accompanying Notes to the General Purpose Financial Statements

Carey Exempted Village School District
 Combined Statement of Cash Flows
 Enterprise Funds
 For the Fiscal Year Ended June 30, 2002

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$220,307
Cash Payments for Salaries	(69,731)
Cash Payments for Fringe Benefits	(43,799)
Cash Payments for Goods and Services	(145,955)
Cash Payments for Other Expenses	(586)
Net Cash Used for Operating Activities	<u>(39,764)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	52,047
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Cash Flows from Capital and Related Financing Activities:

Cash Payments for Fixed Assets	(8,371)
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>1,221</u>
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Net Increase in Cash and Cash Equivalents	5,133
Cash and Cash Equivalents at Beginning of Year	60,147
Cash and Cash Equivalents at End of Year	<u><u>\$65,280</u></u>

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(\$53,090)
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Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities:

Depreciation	1,580
Donated Commodities Received During Year	18,092
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	799
Increase in Prepaid Items	(641)
Increase in Inventory Held for Resale	(6,013)
Decrease in Materials and Supplies Inventory	296
Increase in Accounts Payable	871
Increase in Accrued Wages and Benefits	2,191
Increase in Compensated Absences Payable	732
Decrease in Intergovernmental Payable	(4,581)
Net Cash Used for Operating Activities	<u><u>(\$39,764)</u></u>

Non-Cash Transactions

During fiscal year 2002, the School District received donated commodities in the Food Service enterprise fund, in the amount of \$18,092.

See Accompanying Notes to the General Purpose Financial Statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1968. The School District serves an area of approximately sixty-four square miles. It is located in Wyandot and Seneca Counties. The School District is the 514th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by forty-four classified employees, seventy certified teaching personnel, and five administrative employees who provide services to nine hundred two students and other community members. The School District currently operates one building which serves grades K through 12.

Reporting Entity

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

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

The School District participates in four jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations are the Tri-Rivers Educational Computer Association, North Central Ohio Special Regional Resource Center, Northwestern Ohio Educational Resource Council, Inc., North Central Regional Professional Development Center, Ohio School Plan, Ohio School Boards Association Workers’ Compensation Group Rating Plan, Wyandot-Crawford Health Benefit Plan, and the Dorcas Carey Library. Information about these organizations is presented in Notes 18, 19, and 20 to the combined financial statements.

The School District’s reporting entity includes the following:

Our Lady of Consolation - Within the School District’s boundaries, Our Lady of Consolation is operated as a private Catholic school. Current State legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The financial activity is reflected in a special revenue fund of the School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

Capital Projects Funds - 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 or trust funds).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Type

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

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. For the School District, these include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental 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 a general nature, the following account groups are used:

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

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the enterprise funds.

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the function level within the General Fund and fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level in the General Fund and the function and object within all other funds are made by the School District Treasurer.

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

The Early Childhood Preschool special revenue fund is a flow through grant in which the North Central Ohio Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Wyandot County Budget Commission for rate determination.

Estimated Resources

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

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds and funds held by the North Central Ohio Educational Service Center, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise funds.

Lapsing of Appropriations

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

D. Cash and Investments

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

Cash and cash equivalents held for the School District by the North Central Ohio Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2002, the School District's investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 was \$69,272, which included \$13,732 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventory is stated at the lower of cost or market on a first-in first-out basis and is expensed/expensed when used. Inventory consists of administrative supplies, school supplies held for resale, and donated and purchased food.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, for the acquisition and construction of capital improvements, and to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not have any infrastructure.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Capital leases and the long-term loan are reported as liabilities in the general long-term obligations account group until due.

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

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under Ohio law, a debt service fund may be created and used for the payment of debt principal and interest. Generally accepted accounting principles require reporting the liability in the fund that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate fund and the general long-term obligations account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Fund Balance Reserves and Designations

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents resources set aside in excess of those required by State statute. The designation for termination benefits represents monies set aside by the Board of Education for future payment of those benefits.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. 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.

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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.

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Title I special revenue fund had a deficit fund balance at June 30, 2002, in the amount of \$1,340. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2002.

Fund Type/Fund	Estimated Resources Plus Available Balances	Appropriations	Excess
Special Revenue Funds			
Schoolnet Professional Development	\$592	\$3,142	\$3,142
Ohio Reads	0	2,000	2,000
Title VI-B	82,647	82,834	187
Title I	79,396	81,347	1,951
Debt Service Fund			
Bond Retirement	157,853	163,476	5,623

The General Fund had expenditures in excess of appropriations for operating transfers out, in the amount of \$96,689.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund, and as note disclosure in the enterprise funds (GAAP basis).
4. For the enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on tax anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays tax anticipation note principal and interest from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
7. Although not part of the appropriated budget, the Early Childhood Preschool special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$509,514)	\$26,338	(\$48,640)	\$153,239
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2001, Received in Cash FY 2002	499,923	0	65,032	22,235
Accrued FY 2002, Not Yet Received in Cash	(134,018)	(14,133)	(16,392)	(5,516)
Expenditure Accruals:				
Accrued FY 2001, Paid in Cash FY 2002	(585,995)	(34,825)	0	(375)
Accrued FY 2002, Not Yet Paid in Cash	731,994	27,140	0	6,000
Cash Adjustments:				
Unrecorded Activity FY 2001	283	0	0	0
Prepaid Items	(24,248)	(715)	0	0
Materials and Supplies Inventory	191	0	0	0
Note Principal Retirement	0	0	(92,835)	0

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types
(continued)

	General	Special Revenue	Debt Service	Capital Projects
Note Interest	\$0	\$0	(\$2,402)	\$2,402
Advances In	181,861	78,300	0	0
Advances Out	(78,300)	(78,300)	0	(103,561)
Excess of Revenues Under Expenditures for Nonbudgeted Funds	0	377	0	0
Reallocation of Debt Activity	0	0	95,237	(95,237)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(140,486)	(25,250)	0	(56,966)
Budget Basis	<u>(\$58,309)</u>	<u>(\$21,068)</u>	<u>\$0</u>	<u>(\$77,779)</u>

Net Income/Excess of Revenues Over Expenses
Enterprise Funds

GAAP Basis	\$16,683
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2001, Received in Cash FY 2002	16,520
Accrued FY 2002, Not Yet Received in Cash	(16,114)
Expense Accruals:	
Accrued FY 2001, Paid in Cash FY 2002	(33,945)
Accrued FY 2002, Not Yet Paid in Cash	33,158
Prepaid Items	(641)
Inventory Held for Resale	(6,013)
Materials and Supplies Inventory	296
Acquisition of Fixed Assets	(8,371)
Depreciation Expense	1,580
Loss on Disposal of Fixed Assets	1,980
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(4,384)
Budget Basis	<u>\$749</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$50 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".

At fiscal year end, the School District had \$304 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

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".

At fiscal year end, the carrying amount of the School District's deposits was \$1,821,455 and the bank balance was \$1,935,160. Of the bank balance, \$301,525 was covered by federal depository insurance and \$1,633,635 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (continued)

Public utility real and tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Wyandot and Seneca Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$125,151 in the General Fund, \$16,392 in the Bond Retirement debt service fund, and \$5,512 in the Permanent Improvement capital project fund. The amount available as an advance at June 30, 2001, was \$488,084 in the General Fund, \$65,032 in the Bond Retirement debt service fund, and \$25,251 in the Permanent Improvement capital projects fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$45,301,700	63.65%	\$53,911,980	66.86%
Industrial/Commercial	7,404,500	10.40	8,698,140	10.79
Public Utility	2,870,360	4.04	2,482,060	3.08
Tangible Personal	15,597,040	21.91	15,540,983	19.27
Total Assessed Value	<u>\$71,173,600</u>	<u>100.00%</u>	<u>\$80,633,163</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$53.80		\$53.80	

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (student fees and billings for used charged services), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$14,047. A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
State of Ohio	\$678
National School Fitness Foundation	4,332
Total General Fund	5,010
Special Revenue Funds	
Eisenhower	785
Title VI-B	9,583
Title VI-R	4,195
Total Special Revenue Funds	14,563
Capital Projects Fund	
Permanent Improvement	67
Enterprise Fund	
National School Lunch Reimbursement	5,847
Total Intergovernmental Receivables	\$25,487

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$48,411
Less Accumulated Depreciation	(21,899)
Net Fixed Assets	\$26,512

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Land	\$149,583	\$0	\$0	\$149,583
Buildings	1,721,424	0	0	1,721,424
Improvements	2,732,860	0	0	2,732,860
Furniture, Fixtures, and Equipment	408,762	94,249	38,929	464,082
Vehicles	530,172	104,256	72,975	561,453
Totals	\$5,542,801	\$198,505	\$111,904	\$5,629,402

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following insurance coverage:

Coverage provided by Indiana Insurance Company is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$16,148,807
Inland Marine Coverage (\$250 deductible)	910,173
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Building and contents coverage increased approximately \$363,000 and inland marine coverage increased approximately \$660,000 from the prior year. General liability per occurrence decreased approximately 50 percent. Total occurrence per year increased \$1,000,000.

For fiscal year 2002, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the program.

The School District participates in the Wyandot-Crawford Health Benefit Plan (Plan), a public entity shared risk pool consisting of five school districts. The School District pays monthly premiums to the Plan for medical, dental, and life insurance coverage. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School 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 benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$286,283, \$272,356, and \$164,049, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$48,317, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer 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 members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$35,764, \$28,533, and \$33,152, respectively; 50 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$18,037, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

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

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$135,608.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

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

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$76,567 for fiscal year 2002.

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 for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for all school personnel. Upon retirement, payment is made for 27.5 percent of their accrued, but unused sick leave credit to a maximum of fifty-five days.

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 12 - OTHER EMPLOYEE BENEFITS (continued)

B. Health Care Benefits

The School District offers medical, dental, and life insurance to most employees through the Wyandot-Crawford Health Benefit Plan. The School District offers cancer insurance to its employees through American Family Life or Capital American Life. Premiums vary for each employee depending on the terms of the union contracts.

NOTE 13 - NOTES PAYABLE

On February 11, 1997, the School District issued tax anticipation notes, in the amount of \$402,835, for renovations to the existing building. The notes had an interest rate of 5.09 percent. Principal, in the amount of \$92,835, was paid during fiscal year 2002 which fully retired the note.

NOTE 14 - CAPITAL LEASES - LESEE DISCLOSURE

The School District has entered into capitalized leases for equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the combined financial statements for governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The equipment acquired by lease has been capitalized in the general fixed assets account group, in the amount of \$102,292. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 were \$21,858.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

<u>Fiscal Year Ending June 30,</u>	<u>GLTOAG</u>
2003	\$29,207
2004	29,207
2005	12,171
	<u>70,585</u>
Less Amount Representing Interest	(3,534)
Present Value of Net Minimum Lease Payments	<u>\$67,051</u>

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Interest Rate	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Compensated Absences Payable		\$452,558	\$0	\$27,998	\$424,560
Intergovernmental Payable		50,261	41,727	50,261	41,727
Capital Leases Payable		6,655	82,254	21,858	67,051
Energy Conservation Loan Payable	5.45%	355,000	0	50,000	305,000
Total General Long-Term Obligations		\$864,474	\$123,981	\$150,117	\$838,338

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

1996 Energy Conservation Loan - On October 24, 1996, the School District obtained a loan, in the amount of \$530,000, to provide energy conservation measures for the School District. The loan was obtained for a ten year period, with final maturity during fiscal year 2007. The loan is being retired through the Bond Retirement debt service fund.

The School District's overall debt margin was \$7,256,985 with an unvoted debt margin of \$80,633 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	55,000	15,338	70,338
2004	60,000	12,190	72,190
2005	60,000	8,846	68,846
2006	60,000	5,530	65,530
2007	70,000	1,939	71,939
	\$305,000	\$43,843	\$348,843

NOTE 16 - SET ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 16 - SET ASIDE REQUIREMENTS (continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2001	\$37,694	\$0	\$27,576
Current Year Set Aside Requirement	113,976	113,976	0
Qualifying Expenditures	(145,216)	(56,598)	0
Balance June 30, 2002	\$6,454	\$57,378	\$27,576

Total reserve balance for the set aside at the end of the fiscal year was \$91,408.

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Carey Exempted Village School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$179,080	\$40,428	\$219,508
Depreciation Expense	1,580	0	1,580
Operating Income (Loss)	(65,530)	12,440	(53,090)
Federal Donated Commodities	18,092	0	18,092
Operating Grants	52,440	0	52,440
Net Income	4,243	12,440	16,683
Fixed Asset Additions	8,371	0	8,371
Fixed Asset Disposals	3,895	0	3,895
Net Working Capital	39,545	63,437	102,982
Total Assets	93,791	64,380	158,171
Total Equity	61,576	63,437	125,013
Encumbrances Outstanding at Year End (Budget Basis)	1,822	2,562	4,384

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2002, the School District paid \$40,699 to TRECA for various services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-six member board including the superintendent from the participating school districts. The degree of control exercised by the School District is limited to its representation on the Board. During fiscal year 2002, the School District paid \$26,010 to the SERRC for various services. Financial information can be obtained from Patricia Lyons, Knox County Educational Service Center, 106 East High Street, Mt. Vernon, Ohio 43050.

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

D. North Central Regional Professional Development Center

The North Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Eileen Lemaster, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

NOTE 19 - INSURANCE POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

C. Wyandot-Crawford Health Benefit Plan

The Wyandot-Crawford Health Benefit Plan (Plan) is a public entity shared risk pool consisting of five school districts. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to employees of the participating school districts. Each participating school district's superintendent is appointed to the Board of Directors which advises the Trustee, Huntington Trust Company, N.A., concerning aspects of the administration of the Plan.

Each school district decides which benefit program offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Kevin Foltz, Account Manager, 229 Huber Village Boulevard, Westerville, Ohio 43081-5325.

NOTE 20 - RELATED ORGANIZATION

Dorcas Carey Library

The Dorcas Carey Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Carey Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Dorcas Carey Library, Laura Toland, Clerk/Treasurer, 236 East Findlay Street, Carey, Ohio 43316.

NOTE 21 - STATE SCHOOL FUNDING DECISION

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

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

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

Carey Exempted Village School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 22 - CONTINGENCIES

A. Grants

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

B. Litigation

There are currently no matters in litigation with the School District as defendant.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Carey Exempted Village School District
Wyandot County
357 East South Street
Carey, Ohio 43316

To the Board of Education:

We have audited the general purpose financial statements of Carey Exempted Village School District, Wyandot County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 17, 2002.

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 certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 2002.

This report is intended for the information and use of the Board of Education and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

December 17, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CAREY EXEMPTED VILLAGE SCHOOL DISTRICT

WYANDOT 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 9, 2003**