



**Auditor of State
Betty Montgomery**

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Comparison (Non-GAAP Budgetary Basis) All Governmental Fund Types	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings Proprietary Fund Type.....	10
Combined Statement of Cash Flows - Proprietary Fund Type	11
Notes to the General Purpose Financial Statements.....	13
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	47

THIS PAGE INTENTIONALLY LEFT BLANK



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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 Carey Exempted Village School District, Wyandot County, Ohio, (the District) as of and for the year ended June 30, 2003, 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 Carey Exempted Village School District, Wyandot County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary 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 October 21, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 21, 2003

THIS PAGE INTENTIONALLY LEFT BLANK.

THIS PAGE INTENTIONALLY LEFT BLANK

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 1,410,877	\$ 187,611	\$ 13,621	\$ 58,832
Cash with fiscal agent	-	92	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	2,080,002	-	146,477	-
Accounts	6,424	1,030	-	14,223
Accrued interest	12,261	-	-	-
Due from other funds	4,111	-	-	-
Due from other governments	-	3,210	-	4,961
Materials and supplies inventory	43,690	-	-	38,594
Prepayments	43,008	-	-	303
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	24,758
Restricted assets:				
Equity in pooled cash and cash equivalents	60,223	-	-	-
OTHER DEBITS:				
Amount available in special revenue fund for termination benefits	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 3,660,596</u>	<u>\$ 191,943</u>	<u>\$ 160,098</u>	<u>\$ 141,671</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 18,595	\$ 5,139	\$ -	\$ 4,231
Accrued wages and benefits	496,010	10,000	-	12,156
Compensated absences payable	9,510	6,017	-	5,574
Pension obligation payable	83,582	5,594	8	10,768
Deferred revenue	2,051,590	-	142,746	-
Due to other funds	-	4,111	-	-
Due to other governments	28,981	15,768	-	275
Due to students	-	-	-	-
Capital lease obligation payable	-	-	-	-
Total liabilities	<u>2,688,268</u>	<u>46,629</u>	<u>142,754</u>	<u>33,004</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	108,667
Fund balances:				
Reserved for encumbrances	64,246	21,689	2,000	-
Reserved for bus purchase	10,170	-	-	-
Reserved for textbooks	22,477	-	-	-
Reserved for budget stabilization	27,576	-	-	-
Reserved for prepayments	43,008	-	-	-
Reserved for tax advance unavailable for appropriation	40,728	-	3,731	-
Reserved for materials and supplies inventory	43,690	-	-	-
Unreserved:				
Designated for budget stabilization	75,387	-	-	-
Designated for termination benefits	-	105,790	-	-
Undesignated	645,046	17,835	11,613	-
Total equity and other credits	<u>972,328</u>	<u>145,314</u>	<u>17,344</u>	<u>108,667</u>
Total liabilities, equity and other credits	<u>\$ 3,660,596</u>	<u>\$ 191,943</u>	<u>\$ 160,098</u>	<u>\$ 141,671</u>

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

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Trust and Agency			
\$ 53,598	\$ -	\$ -	\$ 1,724,539
-	-	-	92
-	-	-	2,226,479
-	-	-	21,677
-	-	-	12,261
-	-	-	4,111
-	-	-	8,171
-	-	-	82,284
-	-	-	43,311
-	5,668,545	-	5,693,303
-	-	-	60,223
-	-	105,790	105,790
-	-	434,118	434,118
<u>\$ 53,598</u>	<u>\$ 5,668,545</u>	<u>\$ 539,908</u>	<u>\$ 10,416,359</u>
\$ -	\$ -	\$ -	\$ 27,965
-	-	-	518,166
-	-	462,830	483,931
-	-	36,960	136,912
-	-	-	2,194,336
-	-	-	4,111
-	-	-	45,024
48,388	-	-	48,388
-	-	40,118	40,118
<u>48,388</u>	<u>-</u>	<u>539,908</u>	<u>3,498,951</u>
-	5,668,545	-	5,668,545
-	-	-	108,667
-	-	-	87,935
-	-	-	10,170
-	-	-	22,477
-	-	-	27,576
-	-	-	43,008
-	-	-	44,459
-	-	-	43,690
-	-	-	75,387
-	-	-	105,790
5,210	-	-	679,704
<u>5,210</u>	<u>5,668,545</u>	<u>-</u>	<u>6,917,408</u>
<u>\$ 53,598</u>	<u>\$ 5,668,545</u>	<u>\$ 539,908</u>	<u>\$ 10,416,359</u>

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO
 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, 2003

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 2,166,513	\$ -	\$ 191,075	\$ 3,731	\$ -	\$ 2,361,319
Tuition	277,930	-	-	-	-	277,930
Earnings on investments	50,075	379	-	-	114	50,568
Extracurricular	-	100,855	-	-	-	100,855
Gifts and donations	-	-	-	-	426	426
Other local revenues	155,993	-	-	-	-	155,993
Other revenue	-	6,208	-	-	-	6,208
Intergovernmental - State	3,462,708	113,720	-	31,975	-	3,608,403
Intergovernmental - Federal	-	246,325	-	2,672	-	248,997
Total revenue	6,113,219	467,487	191,075	38,378	540	6,810,699
Expenditures:						
Current:						
Instruction:						
Regular	2,520,709	58,880	-	-	2,500	2,582,089
Special	474,430	120,267	-	-	275	594,972
Vocational	340,327	80	-	1,150	-	341,557
Other	313,658	-	-	-	-	313,658
Support services:						
Pupil	330,585	39,891	-	172	-	370,648
Instructional staff	298,293	43,429	-	18,247	-	359,969
Board of Education	4,720	-	-	-	-	4,720
Administration	509,736	36,460	-	76	-	546,272
Fiscal	218,711	-	-	7,021	-	225,732
Operations and maintenance	376,079	-	-	30,067	-	406,146
Pupil transportation	249,354	6,598	-	50,566	-	306,518
Central	32,127	-	-	-	-	32,127
Community services	-	119,447	-	-	-	119,447
Extracurricular activities	231,055	102,951	-	-	-	334,006
Facilities acquisition and construction	-	-	-	1,500	-	1,500
Debt service:						
Principal retirement	26,933	-	305,000	-	-	331,933
Interest and fiscal charges	2,274	-	14,600	-	-	16,874
Total expenditures	5,928,991	528,003	319,600	108,799	2,775	6,888,168
Excess (deficiency) of revenues over (under) expenditures	184,228	(60,516)	(128,525)	(70,421)	(2,235)	(77,469)
Other financing sources (uses):						
Operating transfers in	-	71,020	112,133	-	-	183,153
Operating transfers out	(81,000)	(20)	-	(112,133)	-	(193,153)
Proceeds from sale of fixed assets	2,824	-	-	-	-	2,824
Total other financing sources (uses)	(78,176)	71,000	112,133	(112,133)	-	(7,176)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	106,052	10,484	(16,392)	(182,554)	(2,235)	(84,645)
Fund balances, July 1	862,557	134,830	16,392	199,898	7,445	1,221,122
Increase in reserve for inventory	3,719	-	-	-	-	3,719
Fund balances, June 30	\$ 972,328	\$ 145,314	\$ -	\$ 17,344	\$ 5,210	\$ 1,140,196

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

THIS PAGE INTENTIONALLY LEFT BLANK

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 2,143,568	\$ 2,250,936	\$ 107,368	\$ -	\$ -	\$ -
Tuition	267,295	277,955	10,660	-	-	-
Earnings on investments	50,000	51,185	1,185	379	379	-
Extracurricular	-	-	-	100,136	101,105	969
Other local revenues	65,343	153,217	87,874	158	-	(158)
Other revenue	-	-	-	5,283	5,283	-
Intergovernmental - State	3,641,382	3,462,736	(178,646)	113,470	113,720	250
Intergovernmental - Federal	-	-	-	249,601	248,782	(819)
Total revenues	<u>6,167,588</u>	<u>6,196,029</u>	<u>28,441</u>	<u>469,027</u>	<u>469,269</u>	<u>242</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,808,768	2,611,366	197,402	97,822	42,963	54,859
Special	513,435	488,775	24,660	137,081	120,143	16,938
Vocational	350,764	345,030	5,734	80	80	-
Other	314,000	313,658	342	-	-	-
Support services:						
Pupil	366,778	348,024	18,754	32,779	40,471	(7,692)
Instructional staff	367,304	320,662	46,642	58,191	57,736	455
Board of Education	37,695	37,430	265	-	-	-
Administration	576,245	519,939	56,306	33,105	29,559	3,546
Fiscal	243,294	220,023	23,271	-	-	-
Operations and maintenance	421,090	408,371	12,719	-	-	-
Pupil transportation	321,688	241,476	80,212	7,302	5,932	1,370
Central	39,848	32,339	7,509	-	-	-
Community services	-	-	-	128,385	127,961	424
Extracurricular activities	232,397	225,390	7,007	125,331	116,603	8,728
Facilities acquisition and construction	5,000	-	5,000	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>6,598,306</u>	<u>6,112,483</u>	<u>485,823</u>	<u>620,076</u>	<u>541,448</u>	<u>78,628</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(430,718)</u>	<u>83,546</u>	<u>514,264</u>	<u>(151,049)</u>	<u>(72,179)</u>	<u>78,870</u>
Other financing sources (uses):						
Advances in	211,954	57,500	(154,454)	-	57,500	57,500
Advances out	-	(57,500)	(57,500)	-	(57,500)	(57,500)
Transfers in	239,350	252,576	13,226	71,000	71,020	20
Transfers out	(377,730)	(333,576)	44,154	-	(20)	(20)
Proceeds from sale of fixed assets	-	2,824	2,824	-	-	-
Refund of prior year expenditure	23	12,604	12,581	-	-	-
Total other financing sources (uses)	<u>73,597</u>	<u>(65,572)</u>	<u>(139,169)</u>	<u>71,000</u>	<u>71,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(357,121)</u>	<u>17,974</u>	<u>375,095</u>	<u>(80,049)</u>	<u>(1,179)</u>	<u>78,870</u>
Fund balances, July 1	1,211,604	1,211,604	-	120,150	120,150	-
Prior year encumbrances appropriated	<u>140,486</u>	<u>140,486</u>	<u>-</u>	<u>25,250</u>	<u>25,250</u>	<u>-</u>
Fund balances, June 30	<u>\$ 994,969</u>	<u>\$ 1,370,064</u>	<u>\$ 375,095</u>	<u>\$ 65,351</u>	<u>\$ 144,221</u>	<u>\$ 78,870</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 207,467	\$ 207,467	\$ -	\$ 115,252	\$ 5,512	\$ (109,740)	\$ 2,466,287	\$ 2,463,915	\$ (2,372)
-	-	-	-	-	-	267,295	277,955	10,660
-	-	-	-	-	-	50,379	51,564	1,185
-	-	-	-	-	-	100,136	101,105	969
-	-	-	-	-	-	65,501	153,217	87,716
-	-	-	-	-	-	5,283	5,283	-
-	-	-	32,771	31,979	(792)	3,787,623	3,608,435	(179,188)
-	-	-	2,385	2,672	287	251,986	251,454	(532)
<u>207,467</u>	<u>207,467</u>	<u>-</u>	<u>150,408</u>	<u>40,163</u>	<u>(110,245)</u>	<u>6,994,490</u>	<u>6,912,928</u>	<u>(81,562)</u>
-	-	-	-	-	-	2,906,590	2,654,329	252,261
-	-	-	218	-	218	650,734	608,918	41,816
-	-	-	1,712	1,153	559	352,556	346,263	6,293
-	-	-	-	-	-	314,000	313,658	342
-	-	-	50,966	50,738	228	450,523	439,233	11,290
-	-	-	18,242	18,244	(2)	443,737	396,642	47,095
-	-	-	-	-	-	37,695	37,430	265
-	-	-	70	68	2	609,420	549,566	59,854
-	-	-	7,689	7,021	668	250,983	227,044	23,939
-	-	-	33,584	38,067	(4,483)	454,674	446,438	8,236
-	-	-	-	-	-	328,990	247,408	81,582
-	-	-	-	-	-	39,848	32,339	7,509
-	-	-	-	-	-	128,385	127,961	424
-	-	-	-	-	-	357,728	341,993	15,735
-	-	-	-	1,500	(1,500)	5,000	1,500	3,500
305,000	305,000	-	-	-	-	305,000	305,000	-
14,600	14,600	-	-	-	-	14,600	14,600	-
<u>319,600</u>	<u>319,600</u>	<u>-</u>	<u>112,481</u>	<u>116,791</u>	<u>(4,310)</u>	<u>7,650,463</u>	<u>7,090,322</u>	<u>560,141</u>
<u>(112,133)</u>	<u>(112,133)</u>	<u>-</u>	<u>37,927</u>	<u>(76,628)</u>	<u>(114,555)</u>	<u>(655,973)</u>	<u>(177,394)</u>	<u>478,579</u>
-	-	-	-	-	-	211,954	115,000	(96,954)
-	-	-	(108,739)	-	108,739	(108,739)	(115,000)	(6,261)
112,133	112,133	-	-	-	-	422,483	435,729	13,246
-	-	-	(25,988)	(112,133)	(86,145)	(403,718)	(445,729)	(42,011)
-	-	-	-	-	-	-	2,824	2,824
-	-	-	-	-	-	23	12,604	12,581
<u>112,133</u>	<u>112,133</u>	<u>-</u>	<u>(134,727)</u>	<u>(112,133)</u>	<u>22,594</u>	<u>122,003</u>	<u>5,428</u>	<u>(116,575)</u>
-	-	-	(96,800)	(188,761)	(91,961)	(533,970)	(171,966)	362,004
-	-	-	143,416	143,416	-	1,475,170	1,475,170	-
-	-	-	56,966	56,966	-	222,702	222,702	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,582</u>	<u>\$ 11,621</u>	<u>\$ (91,961)</u>	<u>\$ 1,163,902</u>	<u>\$ 1,525,906</u>	<u>\$ 362,004</u>

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$ 40,151
Sales/charges for services	182,935
Total operating revenues	223,086
Operating expenses:	
Personal services	124,673
Contract services	4,467
Materials and supplies	193,066
Depreciation	1,754
Other	637
Total operating expenses	324,597
Operating loss.	(101,511)
Nonoperating revenues:	
Operating grants	53,274
Federal commodities	21,077
Interest revenue.	814
Total nonoperating revenues	75,165
Net loss before operating transfers	(26,346)
Operating transfers in.	10,000
Net loss.	(16,346)
Retained earnings, July 1.	125,013
Retained earnings, June 30.	\$ 108,667

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

CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

		Proprietary Fund Type	
			Enterprise
Cash flows from operating activities:			
Cash received from tuition and fees	\$	36,193	
Cash received from sales/service charges		182,937	
Cash payments for personal services		(125,428)	
Cash payments for contract services		(4,366)	
Cash payments for materials and supplies		(154,305)	
Cash payments for other expenses		(606)	
		(65,575)	
Net cash used in operating activities			(65,575)
Cash flows from noncapital financing activities:			
Cash received from operating grants		48,313	
Cash payments used in repayment of interfund loans		10,000	
		58,313	
Net cash provided by noncapital financing activities			58,313
Cash flows from investing activities:			
Interest received		814	
		814	
Net cash provided by investing activities			814
Net decrease in cash and cash equivalents			(6,448)
Cash and cash equivalents at beginning of year			65,280
Cash and cash equivalents at end of year	\$		58,832
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$	(101,511)	
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation		1,754	
Federal donated commodities		21,077	
Changes in assets and liabilities:			
Increase in accounts receivable		(3,956)	
Decrease in materials and supplies inventory		9,027	
Decrease in prepaid items		2,341	
Decrease in due from other governments		5,847	
Increase in accounts accounts payable		2,911	
Decrease in accrued wages and benefits		(2,484)	
Increase in compensated absences payable		1,093	
Decrease in pension obligation payable		(1,674)	
		(1,674)	
Net cash used in operating activities	\$		(65,575)

Non-cash transactions
 During fiscal year 2003, the School District received donated commodities in the Food Service enterprise fund, in the amount of \$21,077.

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1968. The District serves an area of approximately sixty-four square miles. It is located in Wyandot and Seneca Counties. The District is the 535th largest in the State of Ohio (among 740 school districts) in terms of enrollment. It is staffed by 43 classified employees and 74 certified employees who provide services to 876 students and other community members. The District currently operates one building which serves grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

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

The District's reporting entity includes the following:

Our Lady of Consolation

Within the 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 District, as directed by the parochial school. The financial activity is reflected in a special revenue fund of the District.

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association

The 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. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

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 District is limited to its representation on the Board. Financial information can be obtained from Patricia Lyons, Knox County Educational Service Center, 106 East High Street, Mt. Vernon, Ohio 43050.

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.

North Central Regional Professional Development Center

The North Central Regional Professional Development Center (the "Center") is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The Center 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.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

PUBLIC ENTITY RISK POOLS

Ohio School Plan

The District participates in the Ohio School Plan (the "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, Inc. 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 Inc., 246 East Sycamore Street, Columbus, Ohio 43206.

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

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

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

Wyandot-Crawford Health Benefit Plan

The Wyandot-Crawford Health Benefit Plan (the "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.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

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.

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

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 District for operational subsidies. Although the 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.

B. Basis of Presentation - Fund Accounting

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

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Type:

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include 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 District, other than those accounted for in the proprietary funds.

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

C. Measurement Focus and Basis of Accounting

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

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

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

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

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

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

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

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

D. Budgetary Process

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

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 the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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 District's reporting entity for which the "appropriated budget" is adopted.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

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 tax rates.

By no later than January 20, the Board-adopted budget is filed with the Wyandot County Budget Commission for tax 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 District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

Appropriations:

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds 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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the GPFS for 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.

E. Cash and Investments

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

During fiscal year 2003, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$50,075, which includes \$9,798 assigned from other District funds.

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

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

F. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

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

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 proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand five hundred dollars. The District does not have any infrastructure.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

The 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 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

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

J. 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. See Note 18 for detail of statutory reserves.

K. 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 a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than 60 days after year-end are considered not to have been made with current available financial resources. Capital leases are reported as a liability of the general long-term obligations account group until due.

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

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

3. Short-term interfund loans are reflected as “interfund loans receivable or payable”. The District had no short-term interfund loans receivable or payable at June 30, 2003.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2003.

An analysis of interfund transactions is presented in Note 5.

M. Fund Balance Reserves and Designations

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, bus purchase, textbooks, budget stabilization, prepayments, tax advance unavailable for appropriation, and materials and supplies inventory. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriations 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.

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

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

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Ohio Reads	\$ 247
Summer School	3
Title I	1,307
Title VI	20
Class Size Reduction	120
Title VI-B	2,640

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

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

B. Agency Funds

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

<u>ASSETS</u>	
Accounts receivable	\$160

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At fiscal year-end, the District had \$50 in undeposited cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

Cash with Fiscal Agent: At fiscal year-end, the District had \$92 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as "Cash with Fiscal Agent". The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 3.

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

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

Deposits: At fiscal year-end, the carrying amount of the District's deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$1,784,712 and the bank balances, including nonnegotiable certificates of deposit, was \$1,909,652. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$1,609,652 was uninsured and uncollateralized as defined by GASB. Although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions, these securities were not being held in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

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

	<u>Cash and Cash Equivalents/Deposits</u>
GASB Statement No 9	\$1,784,854
Cash on hand	(50)
Cash with fiscal agent	<u>(92)</u>
 GASB Statement No. 3	 <u>\$1,784,712</u>

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 81,000
<u>Special Revenue Fund</u>		
Eisenhower Grant	-	20
Special Termination	71,000	-
Class Size Reduction	20	-
Debt Service Fund	112,133	-
<u>Capital Projects Fund</u>		
Permanent Improvement	-	112,133
<u>Enterprise Fund</u>		
Uniform School Supplies	<u>10,000</u>	<u>-</u>
Total	<u>\$193,153</u>	<u>\$193,153</u>

Due to/from other funds at June 30, 2003, consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 4,111	\$ -
<u>Special Revenue Fund</u>		
Auxillary Services Fund	<u>-</u>	<u>4,111</u>
Total	<u>\$ 4,111</u>	<u>\$ 4,111</u>

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES

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

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

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

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

The assessed value upon which the 2003 taxes were collected was \$80,633,163. Agricultural/residential and public utility real estate represented 67.00% or \$54,021,250 of this total; commercial & industrial real estate represented 10.79% or \$8,698,140 of this total, public utility tangible represented 2.94% or \$2,372,790 of this total and general tangible property represented 19.27% or \$15,540,983 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$49.90 per \$1,000.00 of assessed valuation for operations, \$3.00 per \$1,000.00 of assessed valuation for permanent improvements.

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance, and recorded as revenue, at June 30, 2003, was \$40,728 in the general fund, and \$3,731 in the Permanent Improvement capital projects fund.

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental grants receivables have been presented as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$2,080,002
Accounts	6,424
Accrued interest	12,261
<u>Special Revenue Funds</u>	
Accounts	1,030
Due from other governments	3,210
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	146,477
<u>Enterprise Funds</u>	
Accounts	14,223
Due from other governments	4,961

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 8 - FIXED ASSETS

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

Furniture and equipment	\$ 46,896
Less: accumulated depreciation	<u>(22,138)</u>
Net fixed assets	<u>\$ 24,758</u>

B. A summary of the changes in general fixed assets during fiscal year 2003 as follows:

<u>Asset Category</u>	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Land and improvements	\$ 149,583	\$ -	\$ -	\$ 149,583
Building	1,721,424	5,497	-	1,726,921
Improvements	2,732,860	-	-	2,732,860
Furniture, fixtures and equipment	464,082	16,045	(17,596)	462,531
Vehicles	<u>561,453</u>	<u>103,326</u>	<u>(68,129)</u>	<u>596,650</u>
Totals	<u>\$5,629,402</u>	<u>\$124,868</u>	<u>\$(85,725)</u>	<u>\$5,668,545</u>

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of \$82,256. 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 2003 totaled \$26,933 in the general fund.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE – (Continued)

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, 2003.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2004	\$29,207
2005	<u>12,171</u>
Total	41,378
Less: amount representing interest	<u>(1,260)</u>
Present value of net minimum lease payments	<u>\$40,118</u>

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	Balance Outstanding <u>June 30, 2003</u>
Energy conservation loan	\$305,000	\$ -	\$(305,000)	\$ -
Capital lease obligation	67,051	-	(26,933)	40,118
Pension obligation	41,727	36,960	(41,727)	36,960
Compensated absences	<u>424,560</u>	<u>38,270</u>	<u>-</u>	<u>462,830</u>
Total general long-term obligations	<u>\$838,338</u>	<u>\$75,230</u>	<u>\$(373,660)</u>	<u>\$539,908</u>

Energy Conservation Loan - On October 24, 1996, the District secured a \$530,000 energy conservation loan in accordance with Section 3313.372, Ohio Revised Code, and House Bill 264. The primary source of repayment of this loan is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The District retired this loan during fiscal year 2003.

Capital leases will be paid from the general fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$7,256,985 and an unvoted debt margin of \$80,633.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees 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 the accumulated sick leave. In addition, up to three unused personal leave days earned during the last two years of employment will be reimbursed.

B. Health Care Benefits

The District offers medical, dental, and life insurance to most employees through the Wyandot-Crawford Health Benefit Plan. The 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 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted for the following insurance coverage:

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 12 - RISK MANAGEMENT - (Continued)

Coverage provided by Indiana Insurance Company is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$17,943,119
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 \$1,794,000 from the prior year. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2003, the District participated in the Ohio School Plan (the "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.

B. Workers' Compensation

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Health Insurance

The District participates in the Wyandot-Crawford Health Benefit Plan (the "Plan"), a public entity shared risk pool consisting of five school districts. The 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 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year-ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$182,935	\$40,151	\$ 223,086
Operating expenses less depreciation	273,879	48,964	322,843
Depreciation expense	1,754	-	1,754
Operating loss	(92,698)	(8,813)	(101,511)
Donated commodities	21,077	-	21,077
Operating grants	53,274	-	53,274
Operating Transfers-In	10,000	-	10,000
Net income/loss	(17,533)	1,187	(16,346)
Net working capital	30,875	64,624	95,499
Total assets	73,294	68,377	141,671
Total liabilities	29,251	3,753	33,004
Total equity	44,043	64,624	108,667

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone 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 43215-3476.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2003, 8.17% was the portion to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$57,332, \$35,764, and \$28,533, respectively; 51.11% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$28,025, represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$407,917, \$394,423, and \$372,702, respectively; 83% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$0 made by the District and \$434 made by the plan members.

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

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

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$30,918 during fiscal 2003.

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 15 - POSTEMPLOYMENT BENEFITS – (Continued)

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$61,539 during the 2003 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 17,974	\$ (1,179)	\$ -	\$(188,761)
Net adjustment for revenue accruals	(82,810)	(1,782)	(16,392)	(1,785)
Net adjustment for expenditure accruals	82,456	(29,945)	-	5,992
Net adjustment for other financing sources/(uses) accruals	(12,604)	-	-	-
Encumbrances (budget basis)	<u>101,036</u>	<u>43,390</u>	<u>-</u>	<u>2,000</u>
GAAP basis	<u>\$106,052</u>	<u>\$ 10,484</u>	<u>\$(16,392)</u>	<u>\$(182,554)</u>

NOTE 17 - CONTINGENCIES

A. Grants

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

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 17 – CONTINGENCIES - (Continued)

B. Litigation

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

C. State School Funding Decision

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

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

NOTE 18 - STATUTORY RESERVES

The District is required by state statute to annually set aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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 District was also required to set aside money for budget stabilization. For fiscal year 2003, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

NOTE 18 - STATUTORY RESERVES – (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2002	\$ 6,454	\$ 57,378	\$27,576
Current year set-aside requirement	126,288	126,288	-
Current year offset	-	(212,979)	-
Qualifying disbursements	<u>(110,265)</u>	<u>(133,625)</u>	<u>-</u>
 Total	 <u>\$ 22,477</u>	 <u>\$ (162,938)</u>	 <u>\$27,576</u>
 Cash balance carried forward to FY 2004	 <u>\$ 22,477</u>	 <u>\$ 0</u>	 <u>\$27,576</u>

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

Amount restricted for budget stabilization	\$ 27,576
Amount restricted for school bus purchases	10,170
Amount restricted for textbooks	<u>22,477</u>
 Total	 <u>\$60,223</u>



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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 the Carey Exempted Village School District, Wyandot County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated October 21, 2003.

Internal Control Over Financial Reporting

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

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

October 21, 2003



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
DECEMBER 4, 2003**