WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT

PORTAGE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Windham Exempted Village School District
Portage County
9530 Bauer Avenue
Windham, Ohio 44288

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 2, 2002

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WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	$ 843,152	$ 212,012	$ 48,044	$ 825,345
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-	-
Investments	-	76,601	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	1,027,485	220,745	72,287	-
Accounts	20,499	-	-	-
Interfund loan receivable	34,609	-	-	-
Due from other governments	-	3,764	-	-
Materials and supplies inventory	2,664	-	-	-
Prepayments	6,911	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	9,334	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	**$ 1,944,654**	**$ 513,122**	**$ 120,331**	**$ 825,345**
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	$ 39,713	$ 4,707	$ -	$ 510
Accrued wages and benefits	692,825	54,034	-	-
Compensated absences payable	60,275	-	-	-
Pension obligation payable	111,026	9,674	-	-
Interfund loan payable	-	3,764	-	-
Due to other governments	24,703	3,192	-	-
Deferred revenue	1,009,829	216,293	70,829	-
Due to students	-	-	-	-
General obligation bonds payable	-	-	-	-
Energy conservation bonds payable	-	-	-	-
Obligation under capital lease	-	-	-	-
Total liabilities	1,938,371	291,664	70,829	510
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances	69,882	6,449	-	-
Reserved for supplies inventory	2,664	-	-	-
Reserved for prepayments	6,911	-	-	-
Reserved for debt service	-	-	48,044	-
Reserved for tax revenue unavailable for appropriation	17,656	4,452	1,458	-
Reserved for principal endowment	-	-	-	-
Reserved for instructional materials	9,334	-	-	-
Unreserved-undesignated	(100,164)	210,557	-	824,835
Total equity and other credits	6,283	221,458	49,502	824,835
Total liabilities, equity and other credits	**$ 1,944,654**	**$ 513,122**	**$ 120,331**	**$ 825,345**

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$ 1,824	$ 11,466	$ -	$ -	$ 1,941,843
-	18,056	-	-	18,056
-	10,000	-	-	86,601
-	-	-	-	1,320,517
-	-	-	-	20,499
-	-	-	-	34,609
-	-	-	-	3,764
13,028	-	-	-	15,692
-	-	-	-	6,911
-	-	-	-	9,334
199,916	-	35,069,165	-	35,269,081
-	-	-	49,502	49,502
-	-	-	1,931,706	1,931,706
$ 214,768	**$ 39,522**	**$ 35,069,165**	**$ 1,981,208**	**$ 40,708,115**
$ 99	$ -	$ -	$ -	$ 45,029
25,373	-	-	-	772,232
16,382	-	-	702,918	779,575
14,872	-	-	70,218	205,790
30,845	-	-	-	34,609
667	-	-	-	28,562
3,653	-	-	-	1,300,604
-	11,466	-	-	11,466
-	-	-	858,178	858,178
-	-	-	290,863	290,863
-	-	-	59,031	59,031
91,891	11,466	-	1,981,208	4,385,939
-	-	35,069,165	-	35,069,165
122,877	-	-	-	122,877
-	-	-	-	76,331
-	-	-	-	2,664
-	-	-	-	6,911
-	-	-	-	48,044
-	-	-	-	23,566
-	27,000	-	-	27,000
-	-	-	-	9,334
-	1,056	-	-	936,284
122,877	28,056	35,069,165	-	36,322,176
$ 214,768	**$ 39,522**	**$ 35,069,165**	**$ 1,981,208**	**$ 40,708,115**

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WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues:					
From local sources:					
Taxes	$ 910,286	$ 194,563	$ 64,262	$ -	$ 1,169,111
Earnings on investments	77,911	13	-	22,944	100,868
Extracurricular	-	127,598	-	-	127,598
Other local revenues	37,690	43,091	-	-	80,781
Intergovernmental - State	5,522,732	675,007	7,353	42,869	6,247,961
Intergovernmental - Federal	47,068	435,176	-	4,032	486,276
Total revenue	6,595,687	1,475,448	71,615	69,845	8,212,595
Expenditures:					
Current:					
Instruction:					
Regular	3,442,616	649,346	-	45,476	4,137,438
Special	695,286	184,112	-	3,832	883,230
Vocational	118,243	-	-	-	118,243
Other	118,652	-	-	-	118,652
Support services:					
Pupil	649,147	32,632	-	-	681,779
Instructional staff	373,566	215,008	-	200	588,774
Board of Education	48,889	-	-	-	48,889
Administration	597,336	107,905	-	-	705,241
Fiscal	192,828	4,149	1,372	-	198,349
Business	24,097	29,018	-	-	53,115
Operations and maintenance	1,089,220	-	-	-	1,089,220
Pupil transportation	296,193	4,255	-	-	300,448
Central	927	-	-	-	927
Community services	-	234	-	-	234
Extracurricular activities	149,242	61,207	-	-	210,449
Facilities acquisition and construction	-	-	-	2,293,137	2,293,137
Debt service:					
Principal retirement	32,150	-	108,154	-	140,304
Interest and fiscal charges	5,908	-	67,120	-	73,028
Total expenditures	7,834,300	1,287,866	176,646	2,342,645	11,641,457
Excess (deficiency) of revenues over (under) expenditures	(1,238,613)	187,582	(105,031)	(2,272,800)	(3,428,862)
Other financing sources (uses):					
Proceeds from sale of fixed assets	26,587	-	-	-	26,587
Operating transfers in	200,218	-	102,914	-	303,132
Operating transfers out	(102,914)	(200,218)	-	-	(303,132)
Total other financing sources (uses)	123,891	(200,218)	102,914	-	26,587
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,114,722)	(12,636)	(2,117)	(2,272,800)	(3,402,275)
Fund balances, July 1	1,118,341	234,094	51,619	3,097,635	4,501,689
Increase in reserve for inventory	2,664	-	-	-	2,664
Fund balances, June 30	**$ 6,283**	**$ 221,458**	**$ 49,502**	**$ 824,835**	**$ 1,102,078**

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

WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE 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, 2002

	General			Special Revenue			
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised
Revenues:							
From local sources:							
Taxes	$ 942,714	$ 942,439	$ (275)	$ 205,979	$ 203,177	$ (2,802)	$ 67,790
Earnings on investments	92,325	77,911	(14,414)	200	13	(187)	-
Extracurricular	-	-	-	128,435	127,610	(825)	-
Other local revenues	23,750	18,543	(5,207)	44,020	43,091	(929)	-
Intergovernmental - State	5,533,874	5,522,732	(11,142)	671,686	675,007	3,321	7,700
Intergovernmental - Federal	47,100	47,068	(32)	431,421	431,412	(9)	-
Total revenues	6,639,763	6,608,693	(31,070)	1,481,741	1,480,310	(1,431)	75,490
Expenditures:							
Current:							
Instruction:							
Regular	3,394,143	3,382,219	11,924	668,715	649,393	19,322	-
Special	678,309	675,278	3,031	213,958	213,958	-	-
Vocational	131,546	131,175	371	-	-	-	-
Other	120,946	120,898	48	-	-	-	-
Support services:							
Pupil	657,235	651,943	5,292	32,706	32,687	19	-
Instructional staff	365,294	355,932	9,362	243,657	237,198	6,459	-
Board of Education	52,444	47,477	4,967	-	-	-	-
Administration	646,089	630,594	15,495	110,665	110,318	347	-
Fiscal	193,487	191,082	2,405	4,154	4,150	4	1,376
Business	31,859	31,344	515	41,228	36,053	5,175	-
Operations and maintenance	1,158,464	1,135,073	23,391	-	-	-	-
Pupil transportation	307,115	297,537	9,578	4,325	4,253	72	-
Central	1,000	927	73	1,000	1,000	-	-
Community services	-	-	-	233	233	-	-
Extracurricular activities	145,150	144,788	362	62,848	62,222	626	-
Facilities acquisition and construction	9,848	9,840	8	90	-	90	-
Debt service:							
Principal retirement	-	-	-	-	-	-	108,154
Interest and fiscal charges	-	-	-	-	-	-	67,124
Total expenditures	7,892,929	7,806,107	86,822	1,383,579	1,351,465	32,114	176,654
Excess (deficiency) of revenues over (under) expenditures	(1,253,166)	(1,197,414)	55,752	98,162	128,845	30,683	(101,164)
Other financing sources (uses):							
Advances in	21,600	21,598	(2)	-	-	-	102,914
Advances out	(35,933)	(35,561)	372	-	-	-	-
Operating transfers in	205,000	200,218	(4,782)	3,764	3,764	-	-
Operating transfers out	(102,914)	(102,914)	-	(200,218)	(200,218)	-	-
Proceeds from sale of fixed assets	26,625	26,587	(38)	-	-	-	-
Refund of prior year receipts	-	-	-	(20)	(13)	7	-
Refund of prior year expenditure	6,250	6,155	(95)	1,425	1,117	(308)	-
Total other financing sources (uses)	120,628	116,083	(4,545)	(195,049)	(195,350)	(301)	102,914
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,132,538)	(1,081,331)	51,207	(96,887)	(66,505)	30,382	1,750
Fund balances, July 1	1,697,607	1,697,607	-	329,288	329,288	-	47,264
Prior year encumbrances appropriated	136,795	136,795	-	14,675	14,675	-	-
Fund balances, June 30	**$ 701,864**	**$ 753,071**	**$ 51,207**	**$ 247,076**	**$ 277,458**	**$ 30,382**	**$ 49,014**

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

Debt Service		Capital Projects			Total (Memorandum only)		
Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
$ 67,159	$ (631)	$ -	$ -	$ -	$ 1,216,483	$ 1,212,775	$ (3,708)
-	-	23,000	22,944	(56)	115,525	100,868	(14,657)
-	-	-	-	-	128,435	127,610	(825)
-	-	-	-	-	67,770	61,634	(6,136)
7,353	(347)	42,869	42,869	-	6,256,129	6,247,961	(8,168)
-	-	4,032	4,032	-	482,553	482,512	(41)
74,512	(978)	69,901	69,845	(56)	8,266,895	8,233,360	(33,535)
-	-	60,432	60,432	-	4,123,290	4,092,044	31,246
-	-	3,832	3,832	-	896,099	893,068	3,031
-	-	-	-	-	131,546	131,175	371
-	-	-	-	-	120,946	120,898	48
-	-	200	200	-	690,141	684,830	5,311
-	-	-	-	-	608,951	593,130	15,821
-	-	-	-	-	52,444	47,477	4,967
-	-	-	-	-	756,754	740,912	15,842
1,372	4	-	-	-	199,017	196,604	2,413
-	-	-	-	-	73,087	67,397	5,690
-	-	-	-	-	1,158,464	1,135,073	23,391
-	-	-	-	-	311,440	301,790	9,650
-	-	-	-	-	2,000	1,927	73
-	-	-	-	-	233	233	-
-	-	-	-	-	207,998	207,010	988
-	-	2,427,360	2,305,908	121,452	2,437,298	2,315,748	121,550
108,154	-	-	-	-	108,154	108,154	-
67,120	4	-	-	-	67,124	67,120	4
176,646	8	2,491,824	2,370,372	121,452	11,944,986	11,704,590	240,396
(102,134)	(970)	(2,421,923)	(2,300,527)	121,396	(3,678,091)	(3,471,230)	206,861
102,914	-	-	-	-	124,514	124,512	(2)
-	-	-	-	-	(35,933)	(35,561)	372
-	-	-	-	-	208,764	203,982	(4,782)
-	-	-	-	-	(303,132)	(303,132)	-
-	-	-	-	-	26,625	26,587	(38)
-	-	-	-	-	(20)	(13)	7
-	-	-	-	-	7,675	7,272	(403)
102,914	-	-	-	-	28,493	23,647	(4,846)
780	(970)	(2,421,923)	(2,300,527)	121,396	(3,649,598)	(3,447,583)	202,015
47,264	-	3,109,554	3,109,554	-	5,183,713	5,183,713	-
-	-	15,808	15,808	-	167,278	167,278	-
$ 48,044	**$ (970)**	**$ 703,439**	**$ 824,835**	**$ 121,396**	**$ 1,701,393**	**$ 1,903,408**	**$ 202,015**

WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Operating revenues:			
Tuition and fees	$ 8,986	$ -	$ 8,986
Sales/charges for services	142,117	-	142,117
Investment earnings	-	467	467
Other	-	11,092	11,092
Total operating revenues	151,103	11,559	162,662
Operating expenses:			
Personal services	188,003	-	188,003
Contract services	3,684	-	3,684
Materials and supplies	169,965	-	169,965
Depreciation	16,775	-	16,775
Other	1,414	8,772	10,186
Total operating expenses	379,841	8,772	388,613
Operating income (loss)	(228,738)	2,787	(225,951)
Nonoperating revenues:			
Operating grants	171,909	-	171,909
Miscellaneous	1,914	-	1,914
Federal commodities	14,121	-	14,121
Total nonoperating revenues	187,944	-	187,944
Net income (loss)	(40,794)	2,787	(38,007)
Retained earnings, July 1 (restated)	163,671	25,269	188,940
Retained earnings, June 30	**$ 122,877**	**$ 28,056**	**$ 150,933**

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

WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from tuition and fees	$ 8,986	$ -	$ 8,986
Cash received from sales/service charges	142,280	-	142,280
Cash received from other operations	-	11,092	11,092
Cash payments for personal services	(178,177)	-	(178,177)
Cash payments for contract services	(3,718)	-	(3,718)
Cash payments for materials and supplies	(153,197)	-	(153,197)
Cash payments for other expenses	(1,414)	(8,772)	(10,186)
Net cash provided by (used in) operating activities	(185,240)	2,320	(182,920)
Cash flows from noncapital financing activities:			
Cash received from operating grants	171,909	-	171,909
Cash received from interfund loans	30,845	-	30,845
Cash received from miscellaneous noncapital financing activities	5,592	-	5,592
Cash used in repayment of interfund loans	(21,598)	-	(21,598)
Net cash provided by noncapital financing activities	186,748	-	186,748
Cash flows from investing activities:			
Interest received	-	467	467
Purchase of investments	-	(10,000)	(10,000)
Net cash used in investing activities	-	(9,533)	(9,533)
Net increase (decrease) in cash and cash equivalents	1,508	(7,213)	(5,705)
Cash and cash equivalents at beginning of year	316	25,269	25,585
Cash and cash equivalents at end of year	**$ 1,824**	**$ 18,056**	**$ 19,880**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (228,738)	$ 2,787	$ (225,951)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	16,775	-	16,775
Federal donated commodities	14,121	-	14,121
Interest reported as operating income	-	(467)	(467)
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	2,049	-	2,049
Decrease in accounts receivable	163	-	163
Decrease in accounts payable	(34)	-	(34)
Increase in accrued wages and benefits	1,925	-	1,925
Increase in compensated absences payable	2,181	-	2,181
Increase in due to other governments	667	-	667
Increase in pension obligation payable	5,053	-	5,053
Increase in deferred revenue	598	-	598
Net cash provided by (used in) operating activities	**$ (185,240)**	**$ 2,320**	**$ (182,920)**

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

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Windham Exempted Village School District (the "District") is located in Portage County and is located in the Village of Windham, and portions of surrounding townships.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 470th largest by enrollment among the 705 public and community school districts in the state. It currently operates one elementary school, one middle school and one comprehensive high school. The District employs 64 non-certified, 92 certified (including administrative) full-time and part-time employees to provide services to approximately 1,107 students in grades K through 12 and various community groups.

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 prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable.

The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

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

JOINTLY GOVERNED ORGANIZATION

Stark Portage Area Computer Consortium (SPARCC)

SPARCC is a data consortium of 31 school districts. SPARCC was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months' financial contribution. SPARCC is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in SPARCC because a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest.

Financial information can be obtained from the Treasurer for the Stark County Educational Service Center, who serves as fiscal agent, at 2100 39th Street NW, Canton, Ohio 44709-2300.

Maplewood Career Center

The Maplewood Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of two representatives from each of he ten participating school districts' elected boards, which possesses its own budgeting and taxing authority. The jointly governed organization was formed for the purpose of providing vocational instruction to juniors and seniors in the participating districts. To obtain financial information, write to the Maplewood Career Center, Doris Hart, who serves as Treasurer, at 7075 State Route 88, Ravenna, Ohio 44266-9131.

The District is also a participant in two insurance purchasing pools, described in Note 11.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Capital Projects Funds - 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 and trust funds).

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency funds are reported on a cash basis, with note disclosure regarding items, which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds and nonexpendable trust funds.

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as advances on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. 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.

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

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred, with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The proprietary and nonexpendable trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

1. 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interest loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.

   Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at fiscal year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 12 to the financial statements.

E. Cash and Cash Equivalents

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" (both unrestricted and restricted) on the combined balance sheet.

During fiscal 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a certificate of deposit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

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

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 2002 totaled $77,911, which included $41,337 assigned from other funds of the District.

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

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

F. Inventory

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

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale.

G. Prepaids

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

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

H. Fixed Assets and Depreciation

1. *General Fixed Assets Account Group*

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500 and a useful life of less than five years. 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. Interest on debt issued to construct or acquire general fixed assets is not capitalized in the account group. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. *Proprietary Funds*

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

Asset	Life (years)
Furniture, fixtures and minor equipment	5 - 20

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the termination method; i.e., an accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on sick leave and vacation leave balances at the end of the fiscal year.

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

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

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

J. 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. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

K. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepaid assets, debt service, materials and supplies inventory, instructional materials, and tax revenue unavailable for appropriation. In addition, although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

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 report 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.

3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as “interfund loans receivable or payable.” Such interfund loans are repaid in the following fiscal year.

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

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund, which provides a service records revenue, and the fund, which receives that service records an expenditure/expense.

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

6. 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.

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a reserve for instructional materials. This reserve is required by state statute. A fund balance reserve has also been established. See Note 17 for calculation of statutory reserves.

N. Estimates

The preparation of financial statements 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. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

During fiscal year 2002, a reappraisal of the District's fixed assets was performed. Due to variances between the reappraisal balances and amounts previously reported as fixed assets, a prior period adjustment is required to restate the general fixed asset account group (see Note 8) and the retained earnings in the Food Service enterprise fund. The prior period adjustment had the following effect on retained earnings as previously reported as of June 30, 2001:

	Enterprise
Accumulated deficit as previously reported	$ (39,968)
Restatement for reappraisal of fixed assets	203,639
Restated retained earnings at July 1, 2001	$163,671

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Deficit Fund Balances

Fund balances/retained earnings at June 30, 2002, included the following individual fund deficits.

Special Revenue Funds	Deficit Balance
Title I	$ 8,801
Disadvantaged Pupil Impact Act	34,851
Public School Preschool	7,229
Title VI-B	1,953
Title VI	33
Drug-Free School	10
Preschool	11
Title II Eisenhower	17

These funds complied with state law which does not allow a cash basis deficit at year-end. These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The deficit balances are caused by accruing wage, benefit and pension obligations in accordance with GAAP. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

C. Statutory Noncompliance

The District did not allocate interest to the food service fund in accordance with federal regulation.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or 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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase 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.

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

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

Deposits: At year-end, the carrying amount of the District's deposits, including nonnegotiable certificates of deposit, was $92,375 and the bank balance, including nonnegotiable certificates of deposit, was $346,138. Of the bank balance:

1. $186,601 was covered by federal depository insurance; and

2. $159,537 was uninsured and uncollateralized as defined by GASB although it was covered by pooled collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Fair Value
Not subject to categorization:	
Investment in STAR Ohio	$1,963,459
Total investments	$1,963,459

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

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

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	$ 1,969,233	$ 86,601
Investments of the cash management pool:		
Certificate of deposits	86,601	(86,601)
Investment in STAR Ohio	(1,963,459)	1,963,459
GASB Statement No. 3	$ 92,375	$1,963,459

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	$34,609	$ -
Enterprise Funds		
Food Service		30,845
Special Revenue Funds		
Title I		3,764
Total	$34,609	$34,609

B. The following is a reconciliation of the District's operating transfers for fiscal year 2002:

	Transfers In	Transfers Out
General Fund	$200,218	$102,914
Special Revenue Funds		
Emergency Levy	-	200,218
Debt Service Fund		
Bond Retirement	102,914	-
Total	$303,132	$303,132

NOTE 6 - PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first $10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed value upon which the 2001 taxes were collected was $45,181,779. Agricultural/residential and public utility/minerals real estate represented 65.6% or 29,624,700 of this total; commercial & industrial real estate represented 17.2% or 7,788,760 of this total, public utility tangible represented 6.4% or 2,888,660 of this total and general tangible property represented 10.8% or $4,879,659 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was $54.1 per $1,000.00 of assessed valuation for operations.

NOTE 6 - PROPERTY TAXES (Continued)

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

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

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

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. 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. Available tax advances at June 30, 2002, totaled $17,656 in the general fund, $1,458 in the debt service fund and $4,452 in the special revenue funds.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as “Due From Other Governments” on the combined balance sheet.

Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

	Amounts
General Fund	
Taxes - current	$990,368
Taxes - delinquent	37,117
Interfund loans	34,609
Accounts	20,499
Special Revenue Funds	
Taxes - current	211,509
Taxes - delinquent	9,236
Due from other governments	3,764
Debt Service Fund	
Taxes - current	69,262
Taxes - delinquent	3,025

NOTE 8 - FIXED ASSETS

General Fixed Assets

The general fixed assets account group has been restated as of July 1, 2001 due to a reappraisal of the District's fixed assets. These adjustments had the following effect on the balances previously reported in the general fixed asset account group:

Asset Category	Balance June 30, 2001	Adjustment	Restated Balance July 1, 2001
Land/improvements	$ 930,883	$ 204,471	$ 1,135,354
Buildings/improvements	16,613,631	(1,496,019)	15,117,612
Furniture/equipment	2,237,614	342,571	2,580,185
Vehicles	492,236	478,712	970,948
Books	680,582	(244,017)	436,565
Construction in progress	12,158,822	0	12,158,822
Total	$33,113,768	$ (714,282)	$32,399,486

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

Asset Category	Restated Balance July 1, 2001	Increase	Decrease	Balance June 30, 2002
Land/improvements	$ 1,135,354	$ -	$ -	$ 1,135,354
Buildings/improvements	15,117,612	14,464,219	-	29,581,831
Furniture/equipment	2,580,185	467,807	(13,787)	3,034,205
Vehicles	970,948	-	-	970,948
Books	436,565	-	(89,738)	346,827
Construction in progress	12,158,822	2,305,397	(14,464,219)	-
Total	$32,399,486	$17,237,423	$(14,567,744)	$35,069,165

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

Furniture/equipment	$298,635
Less: accumulated depreciation	(98,719)
Net fixed assets	$199,916

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District has entered into capitalized leases for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets 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 at the conclusion of the lease term.

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in the amount of $171,183, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2002 fiscal year totaled $32,150. This amount is reflected as debt service principal retirement in the general fund.

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

General Long-Term Obligations

Year Ending June 30	Copiers
2003	$24,542
2004	24,542
2005	16,362
Total future minimum lease payments	65,446
Less: amount representing interest	(6,415)
Present value of future minimum lease payments	$59,031

The District does not have capitalized lease obligations after fiscal year 2005.

NOTE 10 - LONG-TERM DEBT

During the 1998 fiscal year, the District issued general obligation bonds to provide funds for the acquisition and construction of equipment and facilities. These bonds are general obligations of the District, for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 2.11 (average) mill bonded debt tax levy.

In conjunction with the 2.11 mills, which support the bond issue, the District also passed in fiscal 1998 a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the special revenue funds.

During fiscal year 1998, the District issued unvoted long-term “energy conservation” bonds, under authority of H.B. 264. Energy conservation bonds outstanding are general obligations of the District, for which the District’s full faith and credit are pledged for repayment. Accordingly, these bonds are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these bonds are recorded as expenditures in the general fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these bonds without voter approval, and the subsequent repayment of the bonds from operating revenues.

NOTE 10 - LONG-TERM DEBT (Continued)

A. The following is a description of the District's bonds outstanding as of June 30, 2002:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance 7/01/01	Retired in Fiscal 2002	Bonds Outstanding 06/30/02
Construction bond	5.35%	04/15/98	12/01/20	$ 883,936	$ (25,758)	$ 858,178
Energy conservation	5.50%	07/01/97	07/01/05	373,259	(82,396)	290,863
Total				$1,257,195	$(108,154)	$1,149,041

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

Year Ending	General Obligation Classroom Facilities Bonds		HB 264 Energy Conservation Bonds		
June 30	Principal	Interest	Principal	Interest	Total
2003	$ 27,137	$ 45,187	$ 86,928	$15,997	$ 175,249
2004	28,589	43,696	91,709	11,216	175,210
2005	30,118	42,126	54,611	6,173	133,028
2006	31,730	40,471	57,615	3,169	132,985
2007	33,427	38,728	-	-	72,155
2008 - 2012	195,951	164,054	-	-	360,005
2013 - 2017	254,288	104,158	-	-	358,446
2018 - 2021	256,938	28,387	-	-	285,325
Total	$858,178	$506,807	$290,863	$36,555	$1,692,403

C. During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases. Compensated absences and the pension obligation payable will ultimately be paid from the fund from which the employee is paid.

	Balance July 1, 2001	Increase	Decrease	Balance June 30, 2002
Compensated absences	$ 627,468	$ 75,450	$ -	$ 702,918
Pension obligation payable	64,953	70,218	(64,953)	70,218
General obligation debt	1,257,195	-	(108,154)	1,149,041
Capital leases	91,181	-	(32,150)	59,031
Total	$2,040,797	$145,668	$(205,257)	$1,981,208

NOTE 10 - LONG-TERM DEBT (Continued)

D. 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 code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of $3,257,684 (including available funds of $49,502), an unvoted debt margin of $45,182 and an unvoted energy conservation debt margin of $115,773.

NOTE 11 - RISK MANAGEMENT

PORTAGE COUNTY SCHOOL CONSORTIUM

The District participates in the Portage County School Consortium (the "Consortium"), which is a cooperative entity among 13 educational-service providers formed in 1981 to facilitate effective risk management and to share the cost of providing various insurance coverages and employee benefits. The Health and Welfare Trust is organized under the provisions of Section 501(c)(9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the consortium. The insurance agreement with the Consortium also provides that the Consortium will reinsure through commercial companies for claims over $100,000 per employee. Although the District does not participate in the day-to-day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing board, as provided in the Consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet its claims.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2002, the District contracted with Nationwide Insurance Company for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Nationwide Insurance Company	Automobile	$250 Comprehensive; $250 Collision
Nationwide Insurance Company	General Liability	$0
Nationwide Insurance Company	Property Insurance	$1,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 11 - RISK MANAGEMENT - (Continued)

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

OSBA WORKERS' COMPENSATION GROUP RATING

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform supply sales. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002:

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating revenue	$ 142,117	$8,986	$ 151,103
Depreciation expense	16,775	-	16,775
Operating loss	(227,826)	(912)	(228,738)
Non-operating revenue:			
Operating grants	171,909	-	171,909
Donated federal commodities	14,121	-	14,121
Net loss before operating transfers	(39,882)	(912)	(40,794)
Net working capital	(65,390)	4,733	(60,657)
Total assets	210,035	4,733	214,768

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS (Continued)

Long-term liabilities payable from fund revenues	16,382	-	16,382
Total fund equity	118,144	4,733	122,877
Encumbrances outstanding as of 6/30/02	99	-	99

NOTE 13 - 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, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts 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, 2002, 2001, and 2000 were $161,108, $157,307, and $162,283, respectively; 42.5% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. $92,592, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14% for 2002; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were $592,873, $565,926, and $551,873, respectively; 84.4% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. $92,308, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, certain members of the Board of Education have elected the School Employees Retirement System.

NOTE 14 - 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 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled $190,566 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was $3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were $300.772 million and STRS had 102,132 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.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were $161.440 million and the target level was $242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of $315.7 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 $106,946 during the 2002 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

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

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget basis	$(1,081,331)	$(66,505)	$ 780	$(2,300,527)
Net adjustment for revenue accruals	(13,006)	(4,862)	(2,897)	-
Net adjustment for expenditure accruals	(127,608)	52,444	-	27,217
Net adjustment for other financing sources/(uses)	(27,753)	(4,881)	-	-
Adjustment for encumbrances	99,415	11,155	-	510
GAAP basis	$(1,114,722)	$(12,636)	$(2,117)	$(2,272,800)

NOTE 16 - 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, 2002.

B. Litigation

The District was not involved in any litigation as either defendant or plaintiff that would have a material impact upon the financial statements.

C. School Funding Decision

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

NOTE 16 – CONTINGENCIES (Continued)

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Instructional Materials	Capital Improvements
Set-aside cash balance as of July 1, 2001	$ 84,638	$ -
Current year set-aside requirement	128,756	128,756
Qualifying disbursements	(204,060)	(307,160)
Total	9,334	(178,404)
Cash balance carried forward to FY 2003	$ 9,334	$ -

Although the District had offsets and qualifying disbursements during the year that reduced the capital maintenance set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 17 - STATUTORY RESERVES (Continued)

A schedule of the restricted assets at June 30, 2002, follows:

Amount restricted for instructional materials	$9,334
Total restricted assets	$9,334

WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT

PORTAGE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	045666-05PU	10.553	$5,952	$0	$5,952	$0
	045666-05PU-2002		25,928	0	25,928	0
Total School Breakfast Program			31,880	0	31,880	0
National School Lunch Program	045666-LLP1-2001	10.555	896	0	896	0
	045666-LLP4-2001		15,953	0	15,953	0
	045666-LLP4-2002		112,606	0	112,606	0
Total National School Lunch Program			129,455	0	129,455	0
Food Distribution Program	None	10.550	0	16,510	0	13,199
Total U.S. Department of Agriculture - *Nutrition Cluster*			161,335	16,510	161,335	13,199
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Title I Grants to Local Educational Agencies	045666-C1S1-2001	84.010	0	0	13,511	0
(Title I Part A)	045666-C1S1-2002		218,209	0	221,973	0
Total Title I Grants to Local Educational Agencies			218,209	0	235,484	0
Special Education Cluster:						
Special Education - Grant to States	045666-6BEC-2001-P	84.027	4,032	0	4,032	0
(Title VI-B Special Education Assistance for	045666BFS01		0	0	15,307	0
Handicapped Children)	045666-6BSF-2002-P		115,462	0	111,780	0
Total Special Education - Grant to States			119,494	0	131,119	0
Special Education - Preschool Grant	045666-PGS1-2002-P	84.173	8,219	0	8,219	0
Total Special Education Cluster			127,713	0	139,338	0
Safe and Drug-Free Schools And Communities -- State Grants	045666-DRS1-2002	84.186	4,290	0	4,290	0
Total Drug Free School Grant			4,290	0	4,290	0
Goals 2000 -- State & Local Education Systemic	045666-G2S1-2001	84.276	0	0	5,695	0
Improvement Grants	045666-G2S1-2002		0	0	9,578	0
Total Goals 2000 Grants			0	0	15,273	0
Eisenhower Professional Development Grant	045666-MSS1-2002	84.281	7,321	0	7,321	0
	045666-MSS1-2001		0	0	3,645	0
Passed though the Portage County Educational Service Center			3,313	0	3,313	0
Total Eisenhower Professional Development Grant			10,634	0	14,279	0
Innovative Education Program Strategies	045666-C2S1-2002	84.298	5,653	0	5,653	0
Technology Literacy Challenge Fund Grant	045666-TF51-2001	84.318	100,000	0	100,000	0
(Raise the Bar Grant)	045666-TF52-2001		75,000	0	75,000	0
	045666-TF53-2001		25,000	0	25,000	0
Total Technology Literacy Challenge			200,000	0	200,000	0
Title VI-R Class Size Reduction	045666-CRS1-2002	84.340	42,031	0	35,185	0
	045666-CRS1-2001		0	0	6,947	0
Total Title VI-R Class Size Reduction			42,031	0	42,132	0
Total U.S. Department of Education			608,530	0	656,449	0
Total Federal Awards Expenditures			**$ 769,865**	**$ 16,510**	**$ 817,784**	**$ 13,199**

The accompanying notes to this schedule are an integral part of this schedule.

WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

Windham Exempted Village School District
Portage County
9530 Bauer Avenue
Windham, Ohio 44288

To the Board of Education:

We have audited the financial statements of the Windham Exempted Village School, Portage County (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 2, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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.

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

Jim Petro
Auditor of State

December 2, 2002

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Windham Exempted Village School District
Portage County
9530 Bauer Avenue
Windham, Ohio 44288

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 2, 2002

WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Title 1 – Educationally Deprived Children, CFDA No. 84.010
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

Finding Number	N/A – No finding is reported

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	N/A – No finding is reported

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WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 2, 2003