



**Auditor of State
Betty Montgomery**

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2004, 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.

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

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

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

Betty Montgomery
Auditor of State

October 12, 2004

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

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

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$187,687 which represents a 6.99% increase from 2003.
- General revenues accounted for \$6,243,771 in revenue or 82.47% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,327,190 or 17.53% of total revenues of \$7,570,961.
- The District had \$7,383,274 in expenses related to governmental activities; \$1,327,190 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,243,771 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$6,469,169 in revenues and \$6,234,018 in expenditures. During fiscal year 2004, the general fund's fund balance increased \$217,576 from \$1,055,692 to \$1,273,268.
- The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$228,243 in revenues and \$290,078 in expenditures. During fiscal year 2004, the permanent improvement fund's fund balance decreased \$61,835 from \$16,460 to (\$45,375).

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	Net Assets
	Governmental Activities 2004
<u>Assets</u>	
Current and other assets	\$ 4,365,000
Capital assets	2,010,894
Total assets	6,375,894
<u>Liabilities</u>	
Current liabilities	2,972,817
Long-term liabilities	530,526
Total liabilities	3,503,343
<u>Net Assets</u>	
Invested in capital assets, net of related debt	1,906,278
Restricted	26,704
Unrestricted	939,569
Total net assets	\$ 2,872,551

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$2,872,551. Of this total, \$939,569 is unrestricted in use.

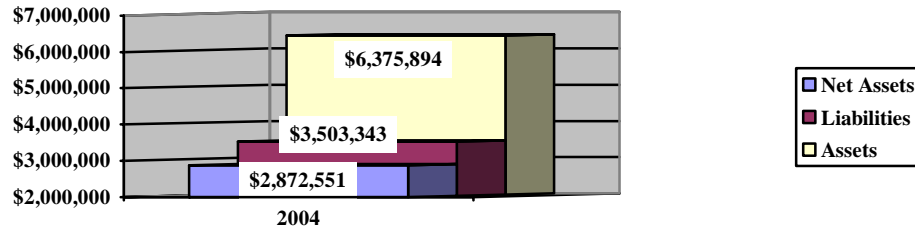
At year-end, capital assets represented 31.54% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, was \$1,906,278. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$26,704, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$939,569 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Governmental Activities



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2004
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 759,294
Operating grants and contributions	537,933
Capital grants and contributions	29,963
General revenues:	
Property taxes	2,668,210
Grants and entitlements	3,412,807
Investment earnings	33,138
Other	129,616
Total revenues	7,570,961

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 2,862,048
Special	649,717
Vocational	370,460
Other	271,521
Support services:	
Pupil	357,072
Instructional staff	483,284
Board of education	42,916
Administration	584,300
Fiscal	242,388
Operations and maintenance	392,940
Pupil transportation	254,495
Central	40,279
Food service operations	284,054
Operations of non-instructional services	181,712
Extracurricular activities	364,953
Interest and fiscal charges	<u>1,135</u>
Total expenses	<u>7,383,274</u>
Increase in net assets	<u><u>\$ 187,687</u></u>

Governmental Activities

Net assets of the District's governmental activities increased by \$187,687. Total governmental expenses of \$7,383,274 were offset by program revenues of \$1,327,190 and general revenues of \$6,243,771. Program revenues supported 17.98% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 80.32% of total governmental revenue.

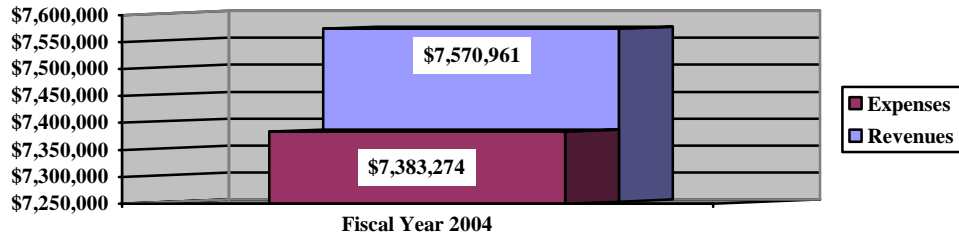
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,153,746 or 56.26% of total governmental expenses for fiscal 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities

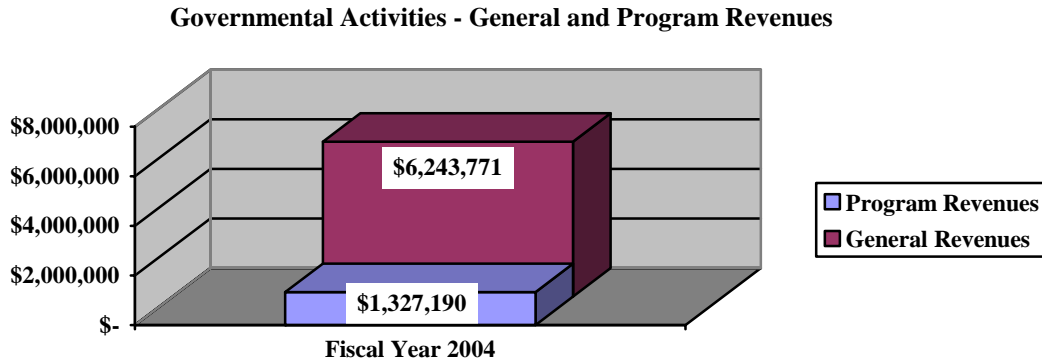
	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses		
Instruction:		
Regular	\$ 2,862,048	\$ 2,394,224
Special	649,717	461,039
Vocational	370,460	369,437
Other	271,521	261,800
Support services:		
Pupil	357,072	339,139
Instructional staff	483,284	358,969
Board of education	42,916	42,916
Administration	584,300	579,351
Fiscal	242,388	242,388
Operations and maintenance	392,940	392,550
Pupil transportation	254,495	253,371
Central	40,279	35,279
Operations of non-instructional services	181,712	62,971
Food service operations	284,054	13,009
Extracurricular activities	364,953	248,506
Interest and fiscal charges	1,135	1,135
Total expenses	\$ 7,383,274	\$ 6,056,084

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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The dependence upon tax and other general revenues for governmental activities is apparent, 83.94% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.57%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,415,937, which is higher than last year's total of \$1,239,373. The June 30, 2003 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,273,268	\$ 1,055,692	\$ 217,576	20.61 %
Permanent Improvement	(45,375)	16,460	(61,835)	(375.67) %
Other Governmental	<u>188,044</u>	<u>167,221</u>	<u>20,823</u>	12.45 %
Total	<u>\$ 1,415,937</u>	<u>\$ 1,239,373</u>	<u>\$ 176,564</u>	14.25 %

General Fund

The District's general fund balance increased by \$217,576 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A to the basic financial statements). The increase in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Revenues exceeded expenditures for fiscal year 2004 by \$235,151. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,461,050	\$ 2,166,513	\$ 294,537	13.59 %
Tuition	318,213	277,930	40,283	14.49 %
Earnings on investments	41,232	50,075	(8,843)	(17.66) %
Intergovernmental	3,412,113	3,462,708	(50,595)	(1.46) %
Other revenues	<u>236,561</u>	<u>155,993</u>	<u>80,568</u>	51.65 %
 Total	 <u>\$ 6,469,169</u>	 <u>\$ 6,113,219</u>	 <u>\$ 355,950</u>	 5.82 %
<u>Expenditures</u>				
Instruction	\$ 3,769,300	\$ 3,649,124	\$ 120,176	3.29 %
Support services	2,189,992	2,019,605	170,387	8.44 %
Extracurricular activities	244,834	231,055	13,779	5.96 %
Facilities acquisition and construction	685	-	685	100.00 %
Debt service	<u>29,207</u>	<u>29,207</u>	<u>-</u>	- %
 Total	 <u>\$ 6,234,018</u>	 <u>\$ 5,928,991</u>	 <u>\$ 305,027</u>	 5.14 %

Permanent Improvement Fund

The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$228,243 in revenues and \$290,078 in expenditures. During fiscal year 2004, the permanent improvement fund's fund balance decreased \$61,835 from \$16,460 to (\$45,375). The decrease in fund balance can be attributed to facilities acquisition and construction when the District purchased land.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,263,171 and final budgeted revenues and other financing sources were \$6,262,069. Actual revenues and other financing sources for fiscal 2004 was \$6,337,831. This represents a \$74,660 increase over original budgeted revenues. The increase is primarily due to a change in personal property tax valuation as a result of an audit conducted by the Ohio Department of Taxation on a local manufacturing company.

General fund original appropriations and other financing uses were \$7,127,116 and final appropriations and other financing uses totaled \$7,139,602. The actual budget basis expenditures for fiscal year 2004 totaled \$6,476,614, which is lower than the final budget appropriations by \$662,988.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$2,010,894 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. See Note 8 to the basic financial statements for additional information. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 400,199	\$ 149,583
Land improvements	374	887
Building and improvements	970,386	1,170,010
Furniture and equipment	303,487	296,863
Vehicles	336,448	381,561
 Total	 \$ 2,010,894	 \$ 1,998,904

The overall increase in capital assets of \$11,990 is due to capital outlays of \$327,286 exceeding depreciation expense of \$315,296 in the fiscal year. \$250,616 of the increase in capital outlay is a result of the purchase of land by the District.

Debt Administration

At June 30, 2004, the District had \$12,046 in capital leases and \$518,480 in compensated absences outstanding. Of this total, \$44,413 is due within one year and \$486,113 is due within greater than one year. See Note 10 to the basic financial statements for additional information. The following table summarizes the leases and compensated absences outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2004	2003
Capital lease	\$ 12,046	\$ 40,118
Compensated absences	518,480	491,367
 Total	 \$ 530,526	 \$ 531,485

At June 30, 2004, the District's overall legal debt margin was \$7,726,946, and an unvoted debt margin of \$85,855.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Current Financial Related Activities

The preceding financial information reveals that the Carey Exempted Village School District has done an excellent job of managing the funds available to them. New operating money has not been sought after since 1991. This is an amazing feat considering the financial stress and burden placed on school districts by the state in recent years through the shifting of funding and the refusal by the state to comply with the Supreme Court's order to fix school funding.

We are expecting effective millage rates to fall to the 20 mil floor in calendar year 2004 due to the triennial update. This will result in some amount of real property tax growth beginning in fiscal year 2005. However, it will also result in less funding from the state foundation.

In order to plan for reduced revenue due to the inventory tax reduction phase-in, we are estimating a decline in the percentage of the tangible personal property taxes. We are uncertain as to the current amounts collected for inventory taxes since these tax returns are private. The most recent data is from 1997 at which time it was 25% of personal property tax collected. We are estimating a loss of approximately \$161,000 due to inventory phase out. Two major manufacturing companies, Porcelain Products and Toledo Molding and Die, have moved operations out of Carey in the past year. We expect to lose approximately \$66,000 per year in tangible personal property taxes due to this loss of business.

In an effort to compensate for the decreases in the above funding and inflationary increases in expenditures, the Board voted to place a one percent income tax levy on the November 2004 ballot. Estimates from the Department of Taxation indicate that this will generate approximately \$740,000 annually. The administration has already made cuts in spending and will continue to evaluate programs and expenditures and make adjustments as needed.

The enrollment pattern has resulted in a slight decline in recent years. Open enrollment figures for FY2004 show a positive number of about 15 students for those entering the district over those leaving the district. Open enrollment numbers are uncertain from year to year and, is therefore, monitored closely.

The Carey Exempted Village School District is committed to educational and financial excellence. The community has been very supportive of the school in all aspects of the educational process. We feel confident that this amiable relationship will continue and will benefit the entire community for many years to come.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Karen Phillips, Treasurer, Carey Exempted Village School District, 357 E. South Street, Carey, Ohio 43316.

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,832,187
Cash with fiscal agent	76
Receivables:	
Taxes	2,373,973
Accounts	17,736
Intergovernmental	18,496
Accrued interest	3,548
Prepayments	37,872
Materials and supplies inventory	81,112
Capital assets:	
Land	400,199
Depreciable capital assets, net	1,610,695
Capital assets, net.	2,010,894
 Total assets.	 6,375,894
 Liabilities:	
Accounts payable.	34,697
Contracts payable.	50,000
Accrued wages and benefits	553,544
Pension obligation payable.	141,037
Intergovernmental payable	18,657
Deferred revenue	2,070,266
Notes payable.	104,616
Long-term liabilities:	
Due within one year.	44,413
Due within more than one year	486,113
 Total liabilities	 3,503,343
 Net Assets:	
Invested in capital assets, net of related debt.	1,906,278
Restricted for:	
Other purposes	26,704
Unrestricted.	939,569
 Total net assets	 \$ 2,872,551

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 2,862,048	\$ 438,808	\$ 29,016	\$ -	\$ (2,394,224)
Special	649,717	-	188,678	-	(461,039)
Vocational	370,460	-	1,023	-	(369,437)
Other	271,521	9,721	-	-	(261,800)
Support services:					
Pupil	357,072	-	17,933	-	(339,139)
Instructional staff	483,284	-	94,352	29,963	(358,969)
Board of education	42,916	-	-	-	(42,916)
Administration	584,300	-	4,949	-	(579,351)
Fiscal	242,388	-	-	-	(242,388)
Operations and maintenance	392,940	390	-	-	(392,550)
Pupil transportation	254,495	416	708	-	(253,371)
Central	40,279	-	5,000	-	(35,279)
Operation of non-instructional services:					
Food service operations	284,054	193,512	77,533	-	(13,009)
Other non-instructional services	181,712	-	118,741	-	(62,971)
Extracurricular activities	364,953	116,447	-	-	(248,506)
Interest and fiscal charges	1,135	-	-	-	(1,135)
Total governmental activities	\$ 7,383,274	\$ 759,294	\$ 537,933	\$ 29,963	(6,056,084)

General Revenues:

Property taxes levied for:	
General purposes	2,461,302
Capital projects	206,908
Grants and entitlements not restricted to specific programs	
Investment earnings	33,138
Miscellaneous	129,616
Total general revenues	6,243,771
Change in net assets	187,687
Net assets at beginning of year	2,684,864
Net assets at end of year	\$ 2,872,551

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,459,360	\$ 82,880	\$ 248,238	\$ 1,790,478
Cash with fiscal agent	-		76	76
Receivables:				
Taxes.	2,195,323	178,650	-	2,373,973
Accounts	17,152	-	584	17,736
Intergovernmental	-	-	18,496	18,496
Accrued interest	3,548	-	-	3,548
Prepayments	37,560	-	312	37,872
Materials and supplies inventory	74,832	-	6,280	81,112
Restricted assets:				
Equity in pooled cash and cash equivalents	41,709	-	-	41,709
Total assets	<u>\$ 3,829,484</u>	<u>\$ 261,530</u>	<u>\$ 273,986</u>	<u>\$ 4,365,000</u>
Liabilities:				
Accounts payable	\$ 19,033	\$ -	\$ 15,664	\$ 34,697
Contracts payable	-	50,000	-	50,000
Accrued wages and benefits	506,101	-	47,443	553,544
Compensated absences payable	-	-	15,648	15,648
Pension obligation payable.	86,932	-	6,136	93,068
Intergovernmental payable.	17,606	-	1,051	18,657
Notes payable.	-	104,616	-	104,616
Deferred revenue.	1,926,544	152,289	-	2,078,833
Total liabilities	<u>2,556,216</u>	<u>306,905</u>	<u>85,942</u>	<u>2,949,063</u>
Fund Balances:				
Reserved for encumbrances	115,668	9,776	28,829	154,273
Reserved for materials and supplies inventory.	74,832	-	6,280	81,112
Reserved for prepayments	37,560	-	312	37,872
Reserved for property tax unavailable for appropriation	272,327	26,361	-	298,688
Reserved for budget stabilization	27,576	-	-	27,576
Reserved for bus purchases.	14,133	-	-	14,133
Unreserved:				
Designation for budget stabilization	75,387	-	-	75,387
Designation for termination benefits	-		94,264	94,264
Unreserved, undesignated, reported in:				
General fund	655,785	-	-	655,785
Special revenue funds.	-	-	53,750	53,750
Capital projects funds.	-	(81,512)	4,609	(76,903)
Total fund balances	<u>1,273,268</u>	<u>(45,375)</u>	<u>188,044</u>	<u>1,415,937</u>
Total liabilities and fund balances	<u>\$ 3,829,484</u>	<u>\$ 261,530</u>	<u>\$ 273,986</u>	<u>\$ 4,365,000</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	1,415,937
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,010,894
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	5,019	
Accrued interest		3,548	
Total			8,567
Long-term liabilities, including capital leases payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		502,832	
Pension obligation payable		47,969	
Capital lease payable		12,046	
Total			(562,847)
Net assets of governmental activities		\$	2,872,551

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 2,461,050	\$ 206,660	\$ -	\$ 2,667,710
Tuition.	318,213	-	-	318,213
Charges for services.	-	-	193,512	193,512
Earnings on investments.	41,232	-	619	41,851
Extracurricular.	9,721	-	116,447	126,168
Transportation fees	416	-	-	416
Classroom materials and fees.	43,840	-	-	43,840
Other local revenues.	182,584	-	288	182,872
Intergovernmental - Local.	20,889	-	3,000	23,889
Intergovernmental - State.	3,391,224	21,583	158,198	3,571,005
Intergovernmental - Federal	-	-	409,698	409,698
Total revenue	<u>6,469,169</u>	<u>228,243</u>	<u>881,762</u>	<u>7,579,174</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,697,249	-	44,890	2,742,139
Special.	449,151	-	187,187	636,338
Vocational.	351,379	-	1,023	352,402
Other.	271,521	-	-	271,521
Support services:				
Pupil.	362,057	-	18,679	380,736
Instructional staff	363,280	-	118,762	482,042
Board of education	42,916	-	-	42,916
Administration.	527,789	-	4,896	532,685
Fiscal	233,737	6,069	-	239,806
Operations and maintenance.	412,193	4,370	-	416,563
Pupil transportation	215,511	-	710	216,221
Central.	32,509	-	6,151	38,660
Food service operations	-	-	275,163	275,163
Other non-instructional services.	-	-	113,444	113,444
Extracurricular activities.	244,834	-	107,609	352,443
Facilities acquisition and construction	685	279,639	-	280,324
Debt service:				
Principal retirement	28,072	-	-	28,072
Interest and fiscal charges	1,135	-	-	1,135
Total expenditures	<u>6,234,018</u>	<u>290,078</u>	<u>878,514</u>	<u>7,402,610</u>
Excess of revenues under expenditures	<u>235,151</u>	<u>(61,835)</u>	<u>3,248</u>	<u>176,564</u>
Other financing sources (uses):				
Transfers in	-	-	17,575	17,575
Transfers (out).	<u>(17,575)</u>	<u>-</u>	<u>-</u>	<u>(17,575)</u>
Total other financing sources (uses)	<u>(17,575)</u>	<u>-</u>	<u>17,575</u>	<u>-</u>
Net change in fund balances	217,576	(61,835)	20,823	176,564
Fund balances at beginning of year (restated, see note 3)				
	<u>1,055,692</u>	<u>16,460</u>	<u>167,221</u>	<u>1,239,373</u>
Fund balances at end of year.	<u>\$ 1,273,268</u>	<u>\$ (45,375)</u>	<u>\$ 188,044</u>	<u>\$ 1,415,937</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	176,564
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		11,990
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(8,213)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		28,072
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(20,726)</u>
Change in net assets of governmental activities	\$	<u><u>187,687</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
From local sources:				
Taxes	\$ 2,161,693	\$ 2,161,313	\$ 2,229,451	\$ 68,138
Tuition.	282,204	282,154	318,188	36,034
Transportation fees	500	500	416	(84)
Earnings on investments.	45,008	45,000	41,232	(3,768)
Extracurricular.	5,001	5,000	9,721	4,721
Classroom materials and fees	28,903	28,898	45,641	16,743
Other local revenues	114,648	114,628	184,246	69,618
Other revenue	-	-	25,000	25,000
Intergovernmental - State	3,305,082	3,304,500	3,391,224	86,724
Total revenue	<u>5,943,039</u>	<u>5,941,993</u>	<u>6,245,119</u>	<u>303,126</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,854,588	2,859,589	2,798,503	61,086
Special.	499,988	500,864	460,042	40,822
Vocational.	384,487	385,161	351,173	33,988
Other.	268,870	269,341	261,441	7,900
Support services:				
Pupil.	398,429	399,127	363,185	35,942
Instructional staff	392,277	392,964	383,421	9,543
Board of education	43,492	43,568	36,969	6,599
Administration.	554,324	555,295	528,204	27,091
Fiscal	235,297	235,709	237,512	(1,803)
Operations and maintenance.	470,318	471,142	450,012	21,130
Pupil transportation	286,635	287,137	233,570	53,567
Central.	35,147	35,209	33,803	1,406
Extracurricular activities.	241,435	241,858	247,519	(5,661)
Facilities acquisition and construction.	-	-	685	(685)
Total expenditures	<u>6,665,287</u>	<u>6,676,964</u>	<u>6,386,039</u>	<u>290,925</u>
Excess of revenues over (under) expenditures.	(722,248)	(734,971)	(140,920)	594,051
Other financing sources (uses):				
Refund of prior year expenditure.	-	-	19,712	19,712
Transfers in.	262,622	262,576	-	(262,576)
Transfers (out)	(401,560)	(402,263)	(17,575)	384,688
Advances in.	57,510	57,500	73,000	15,500
Advances (out)	(60,269)	(60,375)	(73,000)	(12,625)
Total other financing sources (uses)	<u>(141,697)</u>	<u>(142,562)</u>	<u>2,137</u>	<u>144,699</u>
Net change in fund balance	(863,945)	(877,533)	(138,783)	738,750
Fund balance at beginning of year (restated, see note 3)	1,394,882	1,394,882	1,394,882	-
Prior year encumbrances appropriated	107,467	107,467	107,467	-
Fund balance at end of year	<u>\$ 638,404</u>	<u>\$ 624,816</u>	<u>\$ 1,363,566</u>	<u>\$ 738,750</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,825	\$ 36,351
Receivables:		
Accounts	-	2,448
Total assets.	4,825	38,799
Liabilities:		
Accounts payable.	-	729
Due to students	-	38,070
Total liabilities	-	\$ 38,799
Net Assets:		
Held in trust for scholarships	4,825	
Total net assets	\$ 4,825	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 49
Gifts and contributions.	2,000
	2,049
Deductions:	
Scholarships awarded	2,001
	48
Change in net assets	48
Net assets at beginning of year.	4,777
	4,825
Net assets at end of year	\$ 4,825

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1968. The District serves an area of approximately sixty-four square miles. It is located in Wyandot and Seneca Counties. The District is the 523rd largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 43 classified employees and 74 certified employees who provide services to 875 students and other community members. The District currently operates one building which serves grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic 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, preschool 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 organizations' 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. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

The District's reporting entity includes the following:

Our Lady of Consolation

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association

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

North Central Ohio Special Education Regional Resource Center

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

Northwestern Ohio Educational Research Council, Inc.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

North Central Regional Professional Development Center

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

PUBLIC ENTITY RISK POOLS

Ohio School Plan

The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency Inc., 246 East Sycamore Street, Columbus, Ohio 43205.

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

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

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

Wyandot-Crawford Health Benefit Plan

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

RELATED ORGANIZATION

Dorcas Carey Library

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

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

GOVERNMENTAL FUNDS

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

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

Permanent Improvement Fund - The Permanent Improvement capital projects fund is used to account for all transactions related to acquiring, constructing, or improving capital facilities.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus. The Agency fund does not report a measurement focus as it does not report operations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified basis of accounting arise in the recognition of revenue, the recording of deferred revenue and the presentation of expenses versus expenditures. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of 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 an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

E. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Appropriations:

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

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. All supplemental appropriations were legally enacted by the Board during fiscal 2004.

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

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

During 2004, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund authorized by board resolution or statutory requirements. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$41,232, which includes \$6,781 assigned from other funds.

For presentation on the basic financial statements, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land improvements	10 years
Buildings and improvements	10 - 40 years
Furniture and equipment	8 - 20 years
Vehicles	10 - 20 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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 vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service with the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves and Designations

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, property tax unavailable for appropriation, budget stabilization and bus purchases. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriations under state statute. The reserve for budget stabilization represents monies required to be set aside by state statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents resources set aside in excess of those required by state statute. The designation for termination benefits represents monies set aside by the Board of Education for future payment of those benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount reserved for budget stabilization and school bus purchases. See Note 18 for details.

Q. Interfund Activity

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

R. Extraordinary and Special Items

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38 and 41.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

In addition to implementing GASB Statement No. 34, the District switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at June 30, 2003.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 972,328	\$ 16,460	\$ 146,198	\$ 1,134,986
Fund reclassifications	73,854	-	34,476	108,330
Implementation of GASB Interpretation No. 6	<u>9,510</u>	<u>-</u>	<u>(13,453)</u>	<u>(3,943)</u>
Restated fund balance, June 30, 2003	<u>\$ 1,055,692</u>	<u>\$ 16,460</u>	<u>\$ 167,221</u>	<u>\$ 1,239,373</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 1,239,373
GASB 34 adjustments:	
Long-term (deferred) assets	16,780
Capital assets	1,998,904
Long-term liabilities	<u>(570,193)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 2,684,864</u>

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund - The general fund unencumbered fund balance at the beginning of the year has been restated from \$1,370,064 to \$1,394,882 due to fund reclassifications to properly reflect their intended purpose in accordance with GASB Statement No. 34.

B. Compliance

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

	<u>Deficit</u>
<u>Major Fund</u>	
Permanent Improvement	\$ 45,375
<u>Nonmajor Funds</u>	
Title VI-B	1,053
Class Size Reduction	44

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Expenditures exceeded appropriations by \$1,803, and \$685 in fiscal and facilities acquisition and construction, respectively, in the general fund.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

Interim monies may be 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 thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

6. The State Treasury Asset Reserve of Ohio (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 instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Cash with Fiscal Agent: At fiscal year-end, the District had \$76 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as "Cash with Fiscal Agent". The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 3.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$1,873,313 and the bank balance was \$1,961,509. Of the bank balance:

1. \$400,000 was covered by federal depository insurance deposited with the District; and
2. \$1,561,509 was uninsured and uncollateralized. Although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions, these securities are not held in the name of the District. State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>
GASB Statement No. 9	\$ 1,873,439
Cash with fiscal agent	(76)
Cash on hand	<u>(50)</u>
GASB Statement No. 3	<u>\$ 1,873,313</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:

General Fund	\$ 17,575
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Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Wyandot and Seneca Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$272,327 in the general fund and \$26,361 in the permanent improvement fund. These amounts has been recorded as revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	<u>2003 Second Half Collections</u>		<u>2004 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 62,719,390	77.78	\$ 66,035,050	76.91
Public utility personal	2,372,790	2.95	2,255,660	2.63
Tangible personal property	<u>15,540,983</u>	<u>19.27</u>	<u>17,564,240</u>	<u>20.46</u>
Total	<u>\$ 80,633,163</u>	<u>100.00</u>	<u>\$ 85,854,950</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 52.90		\$ 52.90	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Property taxes	\$ 2,373,973
Accounts	17,736
Intergovernmental	18,496
Interest	<u>3,548</u>
	<u>\$ 2,413,753</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to fund reclassifications, asset category reclassifications, and the depreciation of capital assets in accordance with GASB Statement No. 34.

	<u>Balance</u> <u>06/30/03</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>06/30/03</u>
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ 149,583	\$ -	\$ 149,583
Total capital assets, not being depreciated	<u>149,583</u>	<u>-</u>	<u>149,583</u>
Capital assets, being depreciated:			
Land improvements	-	40,116	40,116
Building and improvements	4,459,781	(40,116)	4,419,665
Furniture and equipment	462,531	46,896	509,427
Vehicles	<u>596,650</u>	<u>-</u>	<u>596,650</u>
Total capital assets, being depreciated	<u>5,518,962</u>	<u>46,896</u>	<u>5,565,858</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(3,717,083)</u>	<u>(3,716,537)</u>
Governmental activities capital assets, net	<u>\$ 5,668,545</u>	<u>\$ (3,670,187)</u>	<u>\$ 1,998,904</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

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

	Restated Balance 06/30/03	Additions	Deductions	Balance 06/30/04
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 149,583	\$ 250,616	\$ -	\$ 400,199
Total capital assets, not being depreciated	<u>149,583</u>	<u>250,616</u>	<u>-</u>	<u>400,199</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	40,116	-	-	40,116
Buildings and improvements	4,419,665	40,300	-	4,459,965
Furniture and equipment	509,427	36,370	-	545,797
Vehicles	<u>596,650</u>	<u>-</u>	<u>-</u>	<u>596,650</u>
Total capital assets, being depreciated	<u>5,565,858</u>	<u>76,670</u>	<u>-</u>	<u>5,642,528</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(39,229)	(513)	-	(39,742)
Buildings and improvements	(3,249,655)	(239,924)	-	(3,489,579)
Furniture and equipment	(212,564)	(29,746)	-	(242,310)
Vehicles	<u>(215,089)</u>	<u>(45,113)</u>	<u>-</u>	<u>(260,202)</u>
Total accumulated depreciation	<u>(3,716,537)</u>	<u>(315,296)</u>	<u>-</u>	<u>(4,031,833)</u>
Governmental activities capital assets, net	<u>\$ 1,998,904</u>	<u>\$ 11,990</u>	<u>\$ -</u>	<u>\$ 2,010,894</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 136,306
Special	11,367
Vocational	14,361
<u>Support Services:</u>	
Pupil	2,770
Administration	34,300
Fiscal	228
Operations and maintenance	47,717
Pupil transportation	35,867
Extracurricular activities	23,265
Food service operations	<u>9,115</u>
Total depreciation expense	<u>\$ 315,296</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$82,256. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$28,072 paid by the general fund.

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 12,171
Total minimum lease payments	12,171
Less amount representing interest	<u>(125)</u>
Total	<u>\$ 12,046</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$28,537 from \$462,830 to \$491,367 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$8,423 from \$539,908 to \$531,485. During fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Capital lease obligation	\$ 40,118	\$ -	\$ (28,072)	\$ 12,046	\$ 12,046
Compensated absences	<u>491,367</u>	<u>59,630</u>	<u>(32,517)</u>	<u>518,480</u>	<u>32,367</u>
Total long-term obligations, governmental activities	<u>\$ 531,485</u>	<u>\$ 59,630</u>	<u>\$ (60,589)</u>	<u>\$ 530,526</u>	<u>\$ 44,413</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences will be paid from the fund from which the employee is paid. The capital lease obligation is paid from the general fund.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$7,726,946 and an unvoted debt margin of \$85,855.

NOTE 11 - NOTE PAYABLE

During fiscal 2004, the District issued a note for the purpose of purchasing real estate from the Village of Carey. The note is reported as a liability of the Permanent Improvement capital projects fund, the fund which received the proceeds. The note was issued on February 18, 2004 and matures on July 1, 2005. The following is a summary of the District's note activity for fiscal 2004:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>
Note payable - 0%	\$ -	\$ 154,616	\$ (50,000)	\$ 104,616
Total	<u>\$ -</u>	<u>\$ 154,616</u>	<u>\$ (50,000)</u>	<u>\$ 104,616</u>

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for all school personnel. Upon retirement, payment is made for 27.5 percent of the accumulated sick leave. In addition, up to three unused personal leave days earned during the last two years of employment will be reimbursed.

B. Health Care Benefits

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted for the following insurance coverage:

Coverage provided by Indiana Insurance Company is as follows:

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

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Building and contents coverage decreased approximately \$1,794,312 from the prior year. There have been no other significant reductions in insurance coverage from last year.

For fiscal year 2004, the District participated in the Ohio School Plan (the "Plan"), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

B. Workers' Compensation

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

C. Health Insurance

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, 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 of 14% for 2004, 9.09% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$65,939, \$57,332, and \$35,764, respectively; 51.13% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$32,486, represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$416,849, \$407,917, and \$372,702, respectively; 83.24% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$70,939, represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2004 were \$840 made by the District and \$944 made by the plan members.

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, 2004, certain members of the Board of Education have elected Social Security. The Board's liability is 6.20 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$32,564 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 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 \$49,745 during the 2004 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (138,783)
Net adjustment for revenue accruals	224,050
Net adjustment for expenditure accruals	14,518
Net adjustment for other sources/uses	(19,712)
Adjustment for encumbrances	<u>137,503</u>
GAAP basis	<u>\$ 217,576</u>

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 18 - STATUTORY RESERVES

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2003	\$ 22,477	\$ -	\$ 27,576
Current year set-aside requirement	125,763	125,763	-
Current year offsets	-	(184,030)	-
Qualifying disbursements	<u>(158,305)</u>	<u>(136,805)</u>	<u>-</u>
Total	<u>\$ (10,065)</u>	<u>\$ (195,072)</u>	<u>\$ 27,576</u>
Cash balance carried forward to FY 2005	<u>\$ (10,605)</u>	<u>\$ -</u>	<u>\$ 27,576</u>

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for school bus purchases	\$ 14,133
Amounts restricted for budget stabilization	<u>27,576</u>
Total restricted assets	<u>\$ 41,709</u>

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Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Carey Exempted Village School District, Wyandot County, Ohio, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 12, 2004, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report 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 opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Carey Exempted Village School District
Wyandot County
Independent Accountants' Report on Compliance and On Internal Control
Required By *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

October 12, 2004



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**CAREY EXEMPTED VILLAGE SCHOOL DISTRICT
WYANDOT COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 30, 2004**