WATERLOO LOCAL SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2003

Auditor of State
Betty Montgomery

Board of Education
Waterloo Local School District
1464 Industry Road
Atwater, Ohio 44201

We have reviewed the Independent Auditor's Report of the Waterloo Local School District, Portage County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2002 to June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 2, 2004

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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WATERLOO LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003

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GARY B. FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330/336-1706 Fax 330/334-5118

INDEPENDENT AUDITOR'S REPORT

Board of Education
Waterloo Local School District
1464 Industry Road
Atwater, OH 44201

We have audited the accompanying general purpose financial statements of the Waterloo Local School District (the District), as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Waterloo Local School District, as of June 30, 2003 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

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

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 19, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

(SEE INDEPENDENT AUDITOR'S REPORT)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	$ 2,928,579	$ 308,445	$ 486,701	$ 17,629,935
Cash with fiscal agent	-	-	5,925	-
Cash with escrow agent	-	-	-	333,377
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	3,058,199	243,780	796,660	182,361
Accounts	518	-	-	-
Accrued interest	3,917	20	-	-
Interfund loan receivable	117,474	-	-	-
Due from other governments	-	79,195	-	561,145
Materials and supplies inventory	15,758	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	45,610	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	$ 6,170,055	$ 631,440	$ 1,289,286	$ 18,706,818
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	$ 20,472	$ 4,116	$ -	$ 110,418
Contracts payable	-	-	-	1,384,095
Retainage payable	-	-	-	333,377
Accrued wages and benefits	812,085	54,436	-	-
Compensated absences payable	6,330	-	-	-
Pension obligation payable	122,862	4,106	-	-
Interfund loan payable	-	117,474	-	-
Deferred revenue	2,970,055	236,403	773,217	648,604
Due to other governments	46,632	5,877	-	-
Due to students	-	-	-	-
General obligation bonds payable	-	-	-	-
Energy conservation notes payable	-	-	-	-
Obligation under capital lease	-	-	-	-
Matured interest payable	-	-	5,925	-
Total liabilities	3,978,436	422,412	779,142	2,476,494
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	364,176	71,942	-	13,149,052
Reserved for materials and supplies inventory	15,758	-	-	-
Reserved for debt service	-	-	486,701	-
Reserved for tax revenue unavailable for appropriation	88,144	7,377	23,443	5,229
Reserved for school bus purchases	45,610	-	-	-
Unreserved-undesignated	1,677,931	129,709	-	3,076,043
Total equity and other credits	2,191,619	209,028	510,144	16,230,324
Total liabilities, equity and other credits	$ 6,170,055	$ 631,440	$ 1,289,286	$ 18,706,818

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
		General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
Enterprise	Agency			
$ 172,001	$ 18,436	$ -	$ -	$ 21,544,097
-	-	-	-	5,925
-	-	-	-	333,377
-	-	-	-	4,281,000
-	-	-	-	518
226	-	-	-	4,163
-	-	-	-	117,474
13,927	-	-	-	654,267
12,483	-	-	-	28,241
-	-	-	-	45,610
19,734	-	15,341,615	-	15,361,349
-	-	-	510,144	510,144
-	-	-	10,857,578	10,857,578
$ 218,371	$ 18,436	$ 15,341,615	$ 11,367,722	$ 53,743,743
$ 49	$ -	$ -	$ -	$ 135,055
-	-	-	-	1,384,095
-	-	-	-	333,377
18,804	-	-	-	885,325
16,073	-	-	689,365	711,768
10,501	-	-	83,100	220,569
-	-	-	-	117,474
-	-	-	-	4,628,279
939	-	-	-	53,448
-	18,436	-	-	18,436
-	-	-	10,507,535	10,507,535
-	-	-	39,938	39,938
-	-	-	47,784	47,784
-	-	-	-	5,925
46,366	18,436	-	11,367,722	19,089,008
-	-	15,341,615	-	15,341,615
15,962	-	-	-	15,962
156,043	-	-	-	156,043
-	-	-	-	13,585,170
-	-	-	-	15,758
-	-	-	-	486,701
-	-	-	-	124,193
-	-	-	-	45,610
-	-	-	-	4,883,683
172,005	-	15,341,615	-	34,654,735
$ 218,371	$ 18,436	$ 15,341,615	$ 11,367,722	$ 53,743,743

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(SEE INDEPENDENT AUDITOR'S REPORT)

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues:					
From local sources:					
Taxes	$ 2,882,307	$ 231,623	$ 758,829	$ 171,556	$ 4,044,315
Tuition	13,435	-	-	-	13,435
Earnings on investments	61,028	346	-	263,952	325,326
Extracurricular	-	139,983	-	-	139,983
Other local revenues	122,405	6,214	-	21,889	150,508
Intergovernmental - State	5,992,508	154,696	90,526	10,399,243	16,636,973
Intergovernmental - Federal	-	378,260	-	-	378,260
Total revenues	9,071,683	911,122	849,355	10,856,640	21,688,800
Expenditures:					
Current:					
Instruction:					
Regular	3,946,683	244,080	-	72,595	4,263,358
Special	678,970	268,010	-	-	946,980
Vocational	113,145	-	-	-	113,145
Other	-	8	-	-	8
Support services:					
Pupil	387,366	78,662	-	-	466,028
Instructional staff	489,976	38,765	-	-	528,741
Board of Education	25,407	-	-	-	25,407
Administration	848,057	72,614	1,406	316	922,393
Fiscal	254,199	3,595	11,451	2,737	271,982
Business	34,142	-	-	-	34,142
Operations and maintenance	814,881	-	-	23,529	838,410
Pupil transportation	901,098	-	-	82,497	983,595
Central	11,618	5,354	-	6,060	23,032
Community services	-	1,197	-	-	1,197
Extracurricular activities	154,698	111,766	-	-	266,464
Facilities acquisition and construction	-	-	-	8,061,050	8,061,050
Intergovernmental pass-through	-	125,093	-	-	125,093
Debt service:					
Principal retirement	25,990	-	318,514	-	344,504
Interest and fiscal charges	4,313	-	516,640	-	520,953
Total expenditures	8,690,543	949,144	848,011	8,248,784	18,736,482
Excess of revenues over expenditures	381,140	(38,022)	1,344	2,607,856	2,952,318
Other financing sources (uses):					
Operating transfers in	-	13,878	-	-	13,878
Operating transfers out	-	(13,878)	-	-	(13,878)
Proceeds from sale of fixed assets	1	-	-	-	1
Total other financing sources	1	-	-	-	1
Excess of revenues and other financing sources over expenditures and other financing (uses)	381,141	(38,022)	1,344	2,607,856	2,952,319
Fund balances, July 1	1,810,321	247,050	508,800	13,622,468	16,188,639
Increase in reserve for inventory	157	-	-	-	157
Fund balances, June 30	$ 2,191,619	$ 209,028	$ 510,144	$ 16,230,324	$ 19,141,115

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

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WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(SEE INDEPENDENT AUDITOR'S REPORT)

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	$ 2,847,475	$ 2,847,475	$ -	$ 229,210	$ 229,210	$ -
Tuition	13,435	13,435	-	-	-	-
Earnings on investments	62,656	62,656	-	386	386	-
Extracurricular	-	-	-	139,982	139,982	-
Other local revenues	49,135	49,135	-	6,214	6,214	-
Intergovernmental - State	5,992,508	5,992,508	-	154,696	154,696	-
Intergovernmental - Federal	-	-	-	396,594	396,594	-
Total revenues	8,965,209	8,965,209	-	927,082	927,082	-
Expenditures:						
Current:						
Instruction:						
Regular	3,988,888	3,988,888	-	251,628	251,628	-
Special	843,773	843,773	-	269,778	269,778	-
Vocational	119,490	119,490	-	-	-	-
Support services:						
Pupil	398,766	398,766	-	82,415	82,415	-
Instructional staff	502,741	502,741	-	38,764	38,764	-
Board of Education	26,221	26,221	-	-	-	-
Administration	851,743	851,743	-	80,584	80,584	-
Fiscal	255,370	255,370	-	3,595	3,595	-
Business	63,645	63,645	-	-	-	-
Operations and maintenance	882,075	882,075	-	-	-	-
Pupil transportation	946,833	946,833	-	-	-	-
Central	12,452	12,452	-	5,354	5,354	-
Community services	-	-	-	33,536	33,536	-
Extracurricular activities	154,496	154,496	-	118,035	118,035	-
Facilities acquisition and construction	-	-	-	-	-	-
Intergovernmental pass-through	-	-	-	115,719	115,719	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	9,046,493	9,046,493	-	999,408	999,408	-
Deficiency of revenues under expenditures	(81,284)	(81,284)	-	(72,326)	(72,326)	-
Other financing sources (uses):						
Advances in	26,928	26,928	-	117,511	117,511	-
Advances out	(117,511)	(117,511)	-	(26,928)	(26,928)	-
Operating transfers in	-	-	-	15,958	15,958	-
Operating transfers out	-	-	-	(15,958)	(15,958)	-
Proceeds from sale of fixed assets	1	1	-	-	-	-
Refund of prior year receipts	-	-	-	(8)	(8)	-
Refund of prior year expenditure	74,474	74,474	-	491	491	-
Total other financing sources (uses)	(16,108)	(16,108)	-	91,066	91,066	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(97,392)	(97,392)	-	18,740	18,740	-
Fund balances, July 1	2,153,306	2,153,306	-	200,039	200,039	-
Prior year encumbrances appropriated	528,769	528,769	-	13,608	13,608	-
Fund balances, June 30	$ 2,584,683	$ 2,584,683	$ -	$ 232,387	$ 232,387	$ -

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
$ 751,242	$ 751,242	$ -	$ 169,572	$ 169,572	$ -	$ 3,997,499	$ 3,997,499	$ -
-	-	-	-	-	-	13,435	13,435	-
-	-	-	263,952	263,952	-	326,994	326,994	-
-	-	-	-	-	-	139,982	139,982	-
-	-	-	2,890	2,890	-	58,239	58,239	-
90,526	90,526	-	10,309,570	10,309,570	-	16,547,300	16,547,300	-
-	-	-	-	-	-	396,594	396,594	-
841,768	841,768	-	10,745,984	10,745,984	-	21,480,043	21,480,043	-
-	-	-	813,422	813,422	-	5,053,938	5,053,938	-
-	-	-	-	-	-	1,113,551	1,113,551	-
-	-	-	-	-	-	119,490	119,490	-
-	-	-	-	-	-	481,181	481,181	-
-	-	-	-	-	-	541,505	541,505	-
-	-	-	-	-	-	26,221	26,221	-
1,406	1,406	-	316	316	-	934,049	934,049	-
11,451	11,451	-	2,737	2,737	-	273,153	273,153	-
-	-	-	-	-	-	63,645	63,645	-
-	-	-	32,633	32,633	-	914,708	914,708	-
-	-	-	82,497	82,497	-	1,029,330	1,029,330	-
-	-	-	8,060	8,060	-	25,866	25,866	-
-	-	-	-	-	-	33,536	33,536	-
-	-	-	-	-	-	272,531	272,531	-
-	-	-	20,410,847	20,410,847	-	20,410,847	20,410,847	-
-	-	-	-	-	-	115,719	115,719	-
318,514	318,514	-	-	-	-	318,514	318,514	-
516,640	516,640	-	-	-	-	516,640	516,640	-
848,011	848,011	-	21,350,512	21,350,512	-	32,244,424	32,244,424	-
(6,243)	(6,243)	-	(10,604,528)	(10,604,528)	-	(10,764,381)	(10,764,381)	-
-	-	-	-	-	-	144,439	144,439	-
-	-	-	-	-	-	(144,439)	(144,439)	-
-	-	-	-	-	-	15,958	15,958	-
-	-	-	-	-	-	(15,958)	(15,958)	-
-	-	-	-	-	-	1	1	-
-	-	-	-	-	-	(8)	(8)	-
-	-	-	19,341	19,341	-	94,306	94,306	-
-	-	-	19,341	19,341	-	94,299	94,299	-
(6,243)	(6,243)	-	(10,585,187)	(10,585,187)	-	(10,670,082)	(10,670,082)	-
492,944	492,944	-	12,305,318	12,305,318	-	15,151,607	15,151,607	-
-	-	-	1,315,263	1,315,263	-	1,857,640	1,857,640	-
$ 486,701	$ 486,701	$ -	$ 3,035,394	$ 3,035,394	$ -	$ 6,339,165	$ 6,339,165	$ -

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(SEE INDEPENDENT AUDITOR'S REPORT)

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales and charges for services	$ 194,272
Total operating revenues	194,272
Operating expenses:	
Personal services	172,067
Contract services	6,414
Materials and supplies	122,089
Depreciation	3,536
Total operating expenses	304,106
Operating loss	(109,834)
Nonoperating revenues:	
Grants and subsidies	101,728
Federal commodities	31,013
Interest revenue	2,961
Total nonoperating revenues	135,702
Net income	25,868
Retained earnings, July 1	130,175
Retained earnings, June 30	156,043
Contributed capital, June 30	15,962
Total fund equity, June 30	$ 172,005

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

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(SEE INDEPENDENT AUDITOR'S REPORT)

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales and service charges.	$ 194,272
Cash payments for personal services	(174,647)
Cash payments for contract services	(6,414)
Cash payments for materials and supplies.	(101,532)
Net cash used in operating activities.	(88,321)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	100,094
Net cash provided by noncapital financing activities	100,094
Cash flows from investing activities:	
Interest received	3,093
Net cash provided by investing activities.	3,093
Net increase in cash and cash equivalents.	14,866
Cash and cash equivalents at beginning of year	157,135
Cash and cash equivalents at end of year	$ 172,001
Reconciliation of operating loss	
to net cash used in operating activities:	
Operating loss	$ (109,834)
Adjustments to reconcile operating loss	
to net cash used in operating activities:	
Depreciation	3,536
Federal donated commodities	31,013
Changes in assets and liabilities:	
Decrease in materials and supplies inventory.	2,463
Decrease in accrued wages and benefits	(2,419)
Decrease in compensated absences payable	(1,492)
Increase in pension obligation payable.	1,082
Increase in due to other governments	249
Decrease in deferred revenue.	(12,919)
Net cash used in operating activities	$ (88,321)

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Waterloo Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

The District ranks as the 393rd largest by total enrollment among the 740 public and community school districts in the state. The District's enrollment as of June 30, 2003, was 1,431. The District employed 115 certified employees and 62 non-certified employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

JOINTLY GOVERNED ORGANIZATION

Stark Portage Area Computer Consortium (SPARCC)
SPARCC is a joint venture among 31 school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contribution. SPARCC is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in SPARCC as a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Clifford Pocock, treasurer for the Stark County Educational Service Center, who serves as fiscal agent, at 2100 39th Street NW, Canton, Ohio 44709-2300.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers Compensation Group Rating Plan
The District participates in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.B. for agency fund accruals which, in another fund type, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Property taxes measurable as of June 30, 2003, and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2004 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as advanced at June 30. This amount is recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

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

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

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2003 is as follows:

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

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.

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

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

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

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

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2003.

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. For enterprise funds, encumbrances outstanding at year-end appear as a footnote disclosure in Note 12. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types.

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

E. Cash and Investments

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

The District has monies held by a fiscal agent, which is held separate from the District's cash management pool. The District utilizes this fiscal agent to service bonded debt as principal and interest payments come due. The account is presented as Cash with Fiscal Agent on the combined balance sheet.

The District had monies invested in STAR Ohio during fiscal 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2003 amounted to $61,028, which includes $13,158 assigned from other District funds.

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

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

F. Fixed Assets and Depreciation

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

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

2. *Proprietary Funds*
Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

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

G. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences , a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

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

H. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

I. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, material and supplies inventory, debt service, tax revenue unavailable for appropriation, and school bus purchases. The reserve for property tax advance unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriations under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as interfund loans receivable or payable . The District had short-term interfund loans receivable and payable at June 30, 2003.

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

An analysis of interfund transactions is presented in Note 5.

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

K. Inventory

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

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

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise funds in fiscal 2003. Contributed capital in the enterprise funds at June 30, 2003 was $15,962.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. The District has also received state monies that are restricted for school bus purchases. Fund balance reserves have also been established. See Note 18 for details.

N. Estimates

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

O. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

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

	Deficit Balance
Special Revenue Funds	
Emergency Levy	$ 658
District Managed Activity	3,199
Auxiliary Services	4,272
Ohio Reads	19
Title I	2,087
Improving Teacher Quality	5,786

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

The deficit balances in these special revenue funds are due to accruing wage, benefit and retirement obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

B. Agency Funds

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

ASSETS	
Accounts receivable	$ 73
LIABILITIES	
Accounts payable	134

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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.

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

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

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

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 or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;

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

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

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

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

7. Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on hand: At fiscal year-end, the District had $2,150 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of Equity in Pooled Cash and Cash Equivalents.

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

Deposits: At year-end, the carrying amount of the District's deposits was $11,821,596 and the bank balance was $12,111,717. Of the bank balance:

1. $200,000 was covered by federal depository insurance; and

2. $11,911,717 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could 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.

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

Investments: Investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department, but not in the District's name. At June 30, 2003, the District had an investment of $10,105,263 in STAR Ohio. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	$ 21,929,009	$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(10,105,263)	10,105,263
Cash on hand	(2,150)	-
GASB Statement No. 3	$ 11,821,596	$10,105,263

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the District's interfund receivables and payables at June 30, 2003:

	Interfund Receivable	Interfund Payable
General Fund	$117,474	$ -
Special Revenue Funds		
Emergency Levy	-	4,309
District Managed Activity	-	17,115
Auxiliary Services	-	16,853
IDEA Part B Grants	-	29,365
Title I	-	36,977
Title VI	-	1
Drug-Free School Grant	-	1
Improving Teacher Quality	-	12,853
Total	$117,474	$117,474

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

	Transfers In	Transfers Out
Special Revenue Funds		
EESA/NDEA	$ -	$ 6,606
Improving Teacher Quality	13,878	-
Miscellaneous Federal Grants	-	7,272
Total	$13,878	$13,878

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was $129,251,594. Agricultural/residential and public utility/minerals real estate represented $106,737,450 or 82.58% of this total; commercial & industrial real estate represented $5,493,500 or 4.25% of this total; public utility tangible represented $5,896,060 or 4.56% of this total and general tangible property represented $11,124,584 or 8.61% of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was $51.64 per $1,000.00 of assessed valuation for operations, $2.60 per $1,000.00 of assessed valuation for permanent improvements, and $6.47 per $1,000.00 of assessed valuation for debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 12, if paid semi-annually, the first payment is due February 12 with the remainder payable by July 30.

The Portage County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The Portage County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

NOTE 6 - PROPERTY TAXES - (Continued)

The Portage County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The Portage County Auditor periodically remits to the District its portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of $124,193 was available to the District as an advance at June 30, 2003 and is recorded as revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billing for user charged services and student fees), accrued interest, interfund loans, and intergovernmental state and federal revenues (to the extent eligibility requirements were met prior to fiscal year-end). Intergovernmental receivables have been reported as Due From Other Governments on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current and delinquent	$3,058,199
Interfund loans	117,474
Special Revenue Funds	
Taxes - current and delinquent	243,780
Due from other governments	79,195
Debt Service Fund	
Taxes - current and delinquent	796,660
Capital Projects Funds	
Taxes - current and delinquent	182,361
Due from other governments	561,145
Enterprise Fund	
Due from other governments	13,927

NOTE 8 - FIXED ASSETS

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

	Balance July 1, 2002	Increase	Decrease	Balance June 30, 2003
Land/improvements	$2,626,717	$ -	$ -	$ 2,626,717
Buildings/improvements	3,538,613	-	-	3,538,613
Furniture/equipment	1,321,751	124,719	-	1,446,470
Vehicles	1,302,305	136,593	(61,899)	1,376,999
Construction in progress	680,642	5,672,174	-	6,352,816
Total	$9,470,028	$5,933,486	$(61,899)	$15,341,615

The construction in progress reported in the general fixed assets account group represents costs incurred as of June 30, 2003 for the Ohio School Facilities Commission project, as described in Note 10.A. Contractual commitments related to the project are disclosed in Note 19.

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	$ 70,718
Less: accumulated depreciation	(50,984)
Net fixed assets	$ 19,734

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capital lease agreements for copiers. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases , which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the governmental fund types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception.

A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2003 fiscal year totaled $25,990. This amount is reflected as debt service principal retirement in the general fund.

The following is an analysis of the equipment under capital lease as of June 30, 2003:

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

	General Fixed Assets
Copiers	$154,299

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2003:

General Long-Term Obligation

Year Ending June 30	Copiers
2004	$19,200
2005	19,200
2006	14,400
Total minimum lease payments	52,800
Less: amount representing interest	(5,016)
Present value of future minimum lease payments	$47,784

The District does not have a capitalized lease obligation after fiscal year 2006.

NOTE 10 - LONG-TERM OBLIGATIONS

A. On May 3, 2001, the District issued general obligation bonds to provide funds for the construction and renovation of the high school to house grades K-12 and the abandonment and demolition of the current elementary and middle schools (hereinafter called Construction Project). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 7.45 mills bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2003, the total estimated cost of the Construction Project is $25,522,356, of which OSFC will pay $15,087,193.

In conjunction with the 7.45 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the special revenue funds.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

This issue is comprised of both current interest bonds, par value \$10,345,000, and capital appreciation bonds, par value \$695,000. The interest rates on the current interest bonds range from 3.45% to 5.125%. The capital appreciation bonds mature on December 1, 2006 (effective interest 10.49%) and December 1, 2007 (effective interest 10.49%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2003 was \$695,000. As of June 30, 2003, \$462,535 in accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2024.

The following is a schedule of activity for fiscal 2003 on the 2002 series general obligation bonds:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003
Current interest bonds	$10,345,000	$ -	$(300,000)	$10,045,000
Capital appreciation bonds	417,593	44,942	-	462,535
Total G.O. bonds	$10,762,593	$44,942	$(300,000)	$10,507,535

The following is a summary of the future debt service requirements to maturity for the 2003 series general obligation bonds:

Fiscal	Current Interest Bonds			Capital Appreciation Bonds		
Year Ending	Principal	Interest	Total	Principal	Interest	Total
2004	$ 310,000	$ 502,733	$ 812,733	$ -	$ -	$ -
2005	320,000	490,132	810,132	-	-	-
2006	335,000	477,032	812,032	-	-	-
2007	-	470,332	470,332	350,000	-	350,000
2008	-	470,333	470,333	345,000	-	345,000
2009 - 2013	1,925,000	2,154,907	4,079,907	-	-	-
2014 - 2018	2,540,000	1,543,235	4,083,235	-	-	-
2019 - 2023	3,140,000	794,633	3,934,633	-	-	-
2024 - 2025	1,475,000	76,493	1,551,493	-	-	-
Total	$10,045,000	$6,979,830	$17,024,830	$695,000	$ -	$695,000

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. The District's long-term obligations outstanding at June 30, 2003 also include energy conservation notes. The energy conservation notes were issued in 1994 pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from energy conservation projects under House Bill 264.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the general long-term obligations account group.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2003:

	Interest Rate	Maturity Date	Outstanding July 1, 2002	Retired In 2003	Outstanding June 30, 2003
Energy conservation notes	5.15%	12/04	$58,452	$(18,514)	$39,938

The following is a description of the District's future annual requirements to amortize the energy conservation notes outstanding:

Fiscal Year Ending	Principal on Energy Notes	Interest on Energy Notes	Total
2004	$19,467	$1,555	$21,022
2005	20,471	527	20,998
Total	$39,938	$2,082	$42,020

C. During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are reported net of actual increases and decreases due to the practicality of determining these values. Compensated absences and pension obligations will be paid from the fund in which the employee was paid.

	Balance July 1, 2002	Increase	Decrease	Balance June 30, 2003
Compensated absences	$ 615,294	$ 74,071	$ -	$ 689,365
General obligation current interest bonds	10,345,000	-	(300,000)	10,045,000
General obligation capital appreciation bonds	417,593	44,942	-	462,535
Energy conservation notes	58,452	-	(18,514)	39,938
Capital lease obligation	73,774	-	(25,990)	47,784
Pension obligation payable	76,200	83,100	(76,200)	83,100
Total	$11,586,313	$202,113	$(420,704)	$11,367,722

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District'shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of $1,635,252 (including available funds of $510,144) and an unvoted debt margin of $129,252.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive and Health Care

The District maintains comprehensive insurance coverage with private carriers for health care, real property, building contents, vehicles and employee bonds. Vehicle policies include liability coverage for bodily injury and property damage. Settled claims have not exceeded commercial coverage in any of the past three years.

B. Workers Compensation

The District participates in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three-member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund . This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains one enterprise fund to account for the operations of food service. Segment information is not required as activity for this fund can be traced directly to the financial statements. The enterprise fund had $880 in encumbrances outstanding at June 30, 2003.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 2003, 8.17% 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, 2003, 2002, and 2001 were $174,846, $166,861, and $151,210, respectively; 43.06% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. $99,564 represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, 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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. 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, 2003, 2002, and 2001 were $611,234, $573,613, and $566,157, respectively; 84.32% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. $95,860 represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% 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 $43,660 during fiscal 2003.

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

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

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

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were $182.947 million and the target level was $274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of $335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled $91,980 during the 2003 fiscal year.

NOTE 15 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees working 11 or 12 months per year are entitled to an annual vacation, with pay, based on length of service in the District. Vacations must be taken within one year of the time earned with the exception that a portion may be carried over to the next year with prior approval. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators working fewer than 10 months per year do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated for an unlimited number of days. For certified and classified employees, payment is made at retirement for accumulated sick leave and is determined by taking 30% times the employee’s accumulated sick leave balance up to 60 days for classified employees and 70 days for certified employees times the employee’s daily rate at termination. The amount of accumulated vacation and sick leave of employees paid from governmental funds that meets the eligibility requirements has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long-term debt account group. Vacation and sick leave for employees paid from proprietary funds is recorded as an expense and liability of the fund when earned.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

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 governmental funds are as follows:

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	$ (97,392)	$ 18,740	$(6,243)	$(10,585,187)
Net adjustment for revenue accruals	106,474	(15,958)	7,587	110,656
Net adjustment for expenditure accruals	(33,558)	(25,792)	-	(1,492,813)
Net adjustment for other financing sources/(uses)	16,110	(91,068)	-	(19,341)
Encumbrances	389,506	76,056	-	14,594,541
GAAP basis	$381,140	$(38,022)	$ 1,344	$ 2,607,856

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

NOTE 17 - CONTINGENCIES - (Continued)

C. State School Funding Decision

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

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

NOTE 18 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Acquisition	BWC Refunds
Set-aside cash balance as of June 30, 2002	$(147,232)	$ -	$ 38,202
Current year set-aside requirement	189,912	189,912	-
Current year offsets	-	(256,633)	-
Qualifying disbursements	(198,441)	(3,864)	(38,202)
Total	$(155,761)	$ (70,585)	$ -
Cash balance carried forward to FY 2004	$(155,761)	$ -	$ -

The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks/instructional materials reserve. This extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve. This extra amount may not be used to reduce the set-aside requirement for future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

NOTE 18 - STATUTORY RESERVES - (Continued)

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

Amount restricted for school bus purchases	$45,610
Total restricted assets	$45,610

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2003, the District had the following contractual commitments relating to the OSFC project.

Contractor	Amount
Architectural Vision Group	$ 237,505
Cementech	390,771
Dagostino Electronic Services, Inc.	740,286
Golub Mechanical Contractors	809,372
Hummel Construction	8,124,100
R.J. Martin Electric	1,219,270
R & M Electric	17,502
S.A. Comunale Co., Inc.	394,251
Seneca Systems	3,994
York Mahoning, Inc.	2,346,189
Total	$14,283,240

GARY B. FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330/336-1706 Fax 330/334-5118

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

Board of Education
Waterloo Local School District
1464 Industry Road
Atwater, OH 44201

We have audited the general purpose financial statements of the Waterloo Local School District (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 19, 2003

GARY B. FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330/336-1706 Fax 330/334-5118

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

Board of Education
Waterloo Local School District
1464 Industry Road
Atwater, OH 44201

Compliance

We have audited the compliance of the Waterloo Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Waterloo Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133* (continued)

Internal Control Over Compliance

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

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

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

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 19, 2003

Waterloo Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Identifying Entity Number	Receipts	Disbursements
U.S. Department of Agriculture				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	049247-05PU-2001	$8,177	$8,177
National School Lunch Program	10.555	049247-LLP1-2001	87,155	87,155
Food Distribution	10.550	----	31,013	31,013
Total U.S. Department of Agriculture - Child Nutrition Cluster			126,345	126,345
U.S. Department of Education				
Passed Through Ohio Department of Education:				
Eisenhower Professional Development State Grants	84.281	049247-MSS1-2002	801	7,069
Eisenhower Professional Development State Grants	84.281	049247-MSS1-2001	0	5,255
Total Eisenhower Professional Development State Grants			801	12,324
Innovative Education Program Strategies (ESEA Title VI)	84.298	049247-C2S1-2002	3,673	1,509
Innovative Education Program Strategies (ESEA Title VI)	84.298	049247-C2S1-2003	11,018	9,961
Total Innovative Education Program Strategies			14,691	11,470
Title I Grants to Local Educational Agencies	84.010	049247-C1S1-2002	47,643	26,438
Title I Grants to Local Educational Agencies	84.010	049247-C1S1-2003	102,745	120,795
Total Title I Grants to Local Educational Agencies			150,388	147,233
Safe and Drug-Free Schools and Communities - State Grants	84.186	049247-DRS1-2003	10,109	5,438
Safe and Drug-Free Schools and Communities - State Grants	84.186	049247-DRS1-2002	2,505	1,727
Total Safe and Drug-Free Schools and Communities			12,614	7,165
Class Size Reduction (Title VI-B)	84.340	049247-CRS1-2002	15,828	16,243
Special Education Cluster:				
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	049247-6BSF-2003-P	120,945	141,980
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	049247-6BSF-2002-P	29,396	30,576
Total Special Education Cluster			150,341	172,556
Teacher and Principal Training and Recruiting (Title II-A)	84.367	049247-TRSI-2003	59,561	67,164
Technology Literacy Challenge	84.318	049247-TSSI-2003	3,825	2,869
Total U.S. Department of Education			408,049	437,024
Total Federal Assistance			$534,394	$563,369

The notes to this Schedule are an integral part of this Schedule.

WATERLOO LOCAL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

WATERLOO LOCAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §505

FOR THE YEAR ENDED JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the general purpose financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the general purpose financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the general purpose financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the general purpose financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

WATERLOO LOCAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §505

FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

(d)(1)(vii)	Major Programs:	Special Education – Grants to States, CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

   None

3. **FINDINGS FOR FEDERAL AWARDS**

   None

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

WATERLOO LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 23, 2004