



**Auditor of State
Betty Montgomery**

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Columbus Grove Local School District
Putnam County
201 West Cross Street
Columbus Grove, Ohio 45830-1237

To the Board of Education:

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

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

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

As described in note 3 to the general-purpose financial statements, during fiscal year 2002, the District reclassified its scholarship funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 29, 2004

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**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$2,019,677	\$115,638	\$432,724	\$126,675
Receivables (net of allowances of uncollectibles):				
Taxes - current and delinquent	1,557,180		216,298	42,003
Accounts	365	1,604		
Accrued interest	6,208	65		
Due from other governments		1,675		
Materials and supplies inventory	3,322			
Prepayments	24,343			5,095
Property, plant and equipment (net of accumulated depreciation where applicable)				
Restricted assets:				
Equity in pooled cash and cash equivalents	124,155			
Other debits:				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	\$3,735,250	\$118,982	\$649,022	\$173,773

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$40,440	\$25,478			\$2,760,632
				1,815,481
11				1,980
194				6,467
				1,675
2,775				6,097
				29,438
68,783		\$8,679,555		8,748,338
				124,155
			\$447,825	447,825
			948,451	948,451
\$112,203	\$25,478	\$8,679,555	\$1,396,276	\$14,890,539

(Continued)

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002
(Continued)

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$24,853	\$6,688		\$14,375
Accrued wages and benefits	463,909	6,901		
Compensated absences payable	34,834			
Pension obligation payable	71,011	834		
Deferred revenue	1,196,605		\$201,197	38,966
Due to other governments	14,222	548		
Due to students				
Undistributed monies				
General obligation bonds payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	1,805,434	14,971	201,197	53,341
Equity and other credits:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	79,719	13,053		28,030
Reserved for materials and supplies inventory	3,322			
Reserved for prepayments	24,343			5,095
Reserved for debt service			432,724	
Reserved for tax revenue unavailable for appropriation	92,014		15,101	3,037
Reserved for instructional materials	107,693			
Reserved for school bus purchases	16,462			
Unreserved-undesignated	1,606,263	90,958		84,270
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity and other credits	1,929,816	104,011	447,825	120,432
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, equity and other credits	\$3,735,250	\$118,982	\$649,022	\$173,773

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
				\$45,916
\$14,409				485,219
4,424			\$256,068	295,326
7,532			40,208	119,585
1,925				1,438,693
409	\$180			15,359
	22,705			22,705
	2,593			2,593
			1,100,000	1,100,000
28,699	25,478		1,396,276	3,525,396
		\$8,679,555		8,679,555
83,504				83,504
				120,802
				3,322
				29,438
				432,724
				110,152
				107,693
				16,462
				1,781,491
83,504		8,679,555		11,365,143
\$112,203	\$25,478	\$8,679,555	\$1,396,276	\$14,890,539

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
From local sources:		
Taxes	\$2,086,070	
Tuition	2,654	
Earnings on investments	74,512	\$776
Extracurricular		144,839
Other local revenues	20,406	35,327
Other revenue	4,448	200
Intergovernmental - State	3,097,411	161,466
Intergovernmental - Federal		159,028
Total revenue	<u>5,285,501</u>	<u>501,636</u>
Expenditures:		
Current:		
Instruction:		
Regular	2,506,653	57,780
Special	562,044	118,391
Vocational	111,416	
Support services:		
Pupil	156,721	22,414
Instructional staff	109,998	10,735
Board of Education	21,428	
Administration	412,856	3,739
Fiscal	168,426	1,300
Operations and maintenance	429,187	
Pupil transportation	273,697	100
Central	7,369	11,988
Community services		98,707
Extracurricular activities	141,047	152,749
Facilities acquisition and construction	22,710	
Debt service:		
Principal retirement		
Interest and fiscal charges		
Total expenditures	<u>4,923,552</u>	<u>477,903</u>
Excess of revenues over expenditures	<u>361,949</u>	<u>23,733</u>
Other financing sources:		
Proceeds from sale of fixed assets	<u>1,250</u>	
Excess of revenues and other financing sources over expenditures	363,199	23,733
Fund balances, July 1	1,563,295	80,278
Increase in reserve for inventory	3,322	
Fund balances, June 30	<u><u>\$1,929,816</u></u>	<u><u>\$104,011</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Total (Memorandum Only)
Debt Service	Capital Projects	
\$200,599	\$42,021	\$2,328,690
		2,654
		75,288
		144,839
		55,733
		4,648
25,045	34,496	3,318,418
		159,028
<u>225,644</u>	<u>76,517</u>	<u>6,089,298</u>
		2,564,433
		680,435
		111,416
		179,135
		120,733
		21,428
		416,595
4,893	1,047	175,666
	36,835	466,022
		273,797
	6,343	25,700
		98,707
		293,796
	4,788	27,498
125,000		125,000
75,563		75,563
<u>205,456</u>	<u>49,013</u>	<u>5,655,924</u>
<u>20,188</u>	<u>27,504</u>	<u>433,374</u>
	500	1,750
20,188	28,004	435,124
427,637	92,428	2,163,638
		3,322
<u>\$447,825</u>	<u>\$120,432</u>	<u>\$2,602,084</u>

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
From local sources:			
Taxes	\$2,106,706	\$2,106,706	
Tuition	2,654	2,654	
Earnings on investments	79,660	79,660	
Extracurricular activities			
Other local revenues	23,930	23,930	
Other revenue	4,448	4,448	
Intergovernmental - State	3,098,968	3,098,968	
Intergovernmental - Federal			
Total revenues	<u>5,316,366</u>	<u>5,316,366</u>	
Expenditures:			
Current:			
Instruction:			
Regular	2,573,621	2,573,621	
Special	566,738	566,738	
Vocational	111,703	111,703	
Support services:			
Pupil	159,166	159,166	
Instructional staff	118,424	118,424	
Board of Education	27,799	27,799	
Administration	381,695	381,695	
Fiscal	170,543	170,543	
Operations and maintenance	439,637	439,637	
Pupil transportation	278,083	278,083	
Central	7,357	7,357	
Community services			
Extracurricular activities	142,814	142,814	
Facilities acquisition and construction	24,994	24,994	
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>5,002,574</u>	<u>5,002,574</u>	
Excess of revenues over (under) expenditures	<u>313,792</u>	<u>313,792</u>	
Other financing sources (uses):			
Advances in	25,000	25,000	
Advances out	(25,000)	(25,000)	
Proceeds from sale of fixed assets	1,250	1,250	
Refund of prior year expenditure			
Total other financing sources (uses)	<u>1,250</u>	<u>1,250</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	315,042	315,042	
Fund balances, July 1	1,575,197	1,575,197	
Prior year encumbrances appropriated	148,135	148,135	
Fund balances, June 30	<u><u>\$2,038,374</u></u>	<u><u>\$2,038,374</u></u>	

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$200,193	\$200,193	
\$830	\$830				
147,411	147,411				
32,751	32,751				
200	200				
159,790	159,790		25,045	25,045	
84,259	84,259				
425,241	425,241		225,238	225,238	
57,777	57,777				
53,147	53,147				
22,462	22,462				
9,263	9,263				
3,579	3,579				
1,295	1,295		4,892	4,892	
100	100				
12,000	12,000				
121,014	121,014				
166,086	166,086				
			125,000	125,000	
			75,563	75,563	
446,723	446,723		205,455	205,455	
(21,482)	(21,482)		19,783	19,783	
1,256	1,256				
1,256	1,256				
(20,226)	(20,226)		19,783	19,783	
81,942	81,942		412,941	412,941	
34,181	34,181				
\$95,897	\$95,897		\$432,724	\$432,724	

(Continued)

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget Revised	Actual	
Revenues:			
From local sources:			
Taxes	\$42,316	\$42,316	
Tuition			
Earnings on investments			
Extracurricular activities			
Other local revenues			
Other revenue			
Intergovernmental - State	34,496	34,496	
Intergovernmental - Federal			
Total revenues	<u>76,812</u>	<u>76,812</u>	
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration			
Fiscal	1,047	1,047	
Operations and maintenance	45,615	45,615	
Pupil transportation			
Central	13,674	13,674	
Community services			
Extracurricular activities			
Facilities acquisition and construction	24,038	24,038	
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>84,374</u>	<u>84,374</u>	
Excess of revenues over (under) expenditures	<u>(7,562)</u>	<u>(7,562)</u>	
Other financing sources (uses):			
Advances in			
Advances out			
Proceeds from sale of fixed assets	500	500	
Refund of prior year expenditure			
Total other financing sources (uses)	<u>500</u>	<u>500</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(7,062)</u>	<u>(7,062)</u>	
Fund balances, July 1	51,158	51,158	
Prior year encumbrances appropriated	40,174	40,174	
Fund balances, June 30	<u>\$84,270</u>	<u>\$84,270</u>	

The notes to the general-purpose financial statements are an integral part of this statement.

Total (Memorandum only)

Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$2,349,215	\$2,349,215	
2,654	2,654	
80,490	80,490	
147,411	147,411	
56,681	56,681	
4,648	4,648	
3,318,299	3,318,299	
84,259	84,259	
6,043,657	6,043,657	
2,631,398	2,631,398	
619,885	619,885	
111,703	111,703	
181,628	181,628	
127,687	127,687	
27,799	27,799	
385,274	385,274	
177,777	177,777	
485,252	485,252	
278,183	278,183	
33,031	33,031	
121,014	121,014	
308,900	308,900	
49,032	49,032	
125,000	125,000	
75,563	75,563	
5,739,126	5,739,126	
304,531	304,531	
25,000	25,000	
(25,000)	(25,000)	
1,750	1,750	
1,256	1,256	
3,006	3,006	
307,537	307,537	
2,121,238	2,121,238	
222,490	222,490	
\$2,651,265	\$2,651,265	

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Enterprise
Operating revenues:	
Tuition and fees	\$27,323
Sales and charges for services	175,566
Other operating revenue	1,701
	204,590
Operating expenses:	
Personal services	116,658
Contract services	5,527
Materials and supplies	135,713
Depreciation	7,483
	265,381
Total operating revenues	204,590
Total operating expenses	265,381
Operating loss	(60,791)
Nonoperating revenues (expenses):	
Operating grants	36,106
Federal commodities	13,610
Interest revenue	2,328
Loss on disposal of assets	(2,133)
	49,911
Total nonoperating revenues (expenses)	49,911
Net loss	(10,880)
Retained earnings, July 1	94,384
Retained earnings, June 30	\$83,504

The notes to the general-purpose financial statements are an integral part of this statement.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$27,323
Cash received from sales and service charges	175,566
Cash received from other operations	1,724
Cash payments for personal services	(113,719)
Cash payments for contract services	(5,527)
Cash payments for materials and supplies	(118,171)
	<hr/>
Net cash used in operating activities	(32,804)
	<hr/>
Cash flows from noncapital financing activities:	
Cash received from operating grants	36,106
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,237)
	<hr/>
Cash flows from investing activities:	
Interest received	2,489
	<hr/>
Net decrease in cash and cash equivalents	(446)
Cash and cash equivalents at beginning of year	40,886
	<hr/>
Cash and cash equivalents at end of year	<u><u>\$40,440</u></u>

(Continued)

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

	<u>Enterprise</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$60,791)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,483
Federal donated commodities	13,610
Changes in assets and liabilities:	
Decrease in accounts receivable	23
Decrease in materials and supplies inventory	3,786
Increase in accrued wages and benefits	943
Increase in compensated absences payable	484
Increase in pension obligation payable	1,103
Increase in due to other governments	409
Increase in deferred revenue	146
Net cash used in operating activities	<u><u>(\$32,804)</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Columbus Grove Local School District (the District) is located in Northwestern Ohio and encompasses all of the Village of Columbus Grove and portions of surrounding townships. The majority of the District is in Putnam County with a small part located in Allen County.

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

The District currently operates one elementary school, one middle school, and one comprehensive high school. The District employs 32 non-certified and 61 certified (including administrative) full-time and part-time employees to provide services to approximately 859 students in grades K through 12 and various community groups, which ranks it 534th out of approximately 705 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations described due to their relationship to the District.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. The District paid NOACSC \$19,902 for services provided during the year. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Apollo Career Center

The Apollo Career Center (Apollo) is a distinct political subdivision of the State of Ohio established under § 3313.90. Apollo operates under the direction of a Board of Education consisting of one representative from each of the participating school district's elected boards. The Board possesses its own budgeting and taxing authority. Financial information is available from Apollo's Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

West Central Regional Professional Development Center

The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent advisory council, one representative from Bowling Green State University, and one representative from

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

the University of Toledo. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from David Michel, Eastwood Local Schools, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

The District is also a participant in two insurance group purchasing pools, discussed in Note 10.

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. The general fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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

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

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

PROPRIETARY FUNDS

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

Enterprise Funds - The enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b)

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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

Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency funds are presented on a budgetary basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

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

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.

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 interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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 income taxes is recognized when the underlying exchange has occurred 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.

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.

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

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

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

D. Budgets

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

1. Prior to January 15 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.

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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 Putnam County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. The Title VI-B Preschool, Eisenhower Grant, and Title VI-B School Age Special Revenue funds are flow through grants for which the Putnam County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the District's reporting entity, for which the "appropriated budget" is adopted, and the District does not maintain separate budgetary records.
7. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
8. 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.
9. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.

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10. 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 reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary basis and GAAP basis of accounting. Encumbrances for the enterprise funds are reported in Note 11.

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.

During 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund and the food service fund during fiscal year 2002 totaled \$74,512 and \$2,328, respectively, which included \$17,785 and \$1,139, respectively, assigned from other funds of the District.

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

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

F. Inventory

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

G. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the

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advance payment. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$100 and a useful life of less than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. Proprietary Funds

Equipment reflected in these funds is 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:

<u>Asset</u>	<u>Life (years)</u>
Equipment and furniture	5 - 20

I. Compensated Absences

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board (GASB), "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; or 20 years' service at any 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.

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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.

J. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources; however, compensated absences, contractually required pension contributions, and special death benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

K. Fund Equity

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

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.

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4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

The District had no interfund transactions in fiscal year 2002.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. These restricted assets represent monies set aside for instructional materials and monies legally restricted for school bus purchases. Fund balance reserves have also been established (see Note 16).

N. Estimates

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

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, 2002 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$ 20
Ohio Reads	25
Title I	160
Reducing Class Size	53

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These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. This fund complied with state statute which does not allow for a negative fund balance at year-end.

B. Agency Funds

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

<u>Liabilities</u>	
Accounts payable	\$2,062

C. Prior Period Restatement

In prior years, the District accounted for scholarship funds as Expendable Trust Funds. For fiscal year 2002, these funds are being accounted for as Special Revenue Funds. This change had the following affect on the fund balances as previously reported at June 30, 2001:

	Special Revenue	Trust
Balances as report at June 30, 2001	\$77,244	3,034
Restatement	3,034	(\$3,034)
Restated balance at July 1, 2001	\$80,278	

This change had the following affect on the excess of revenues over (under) expenses as previously reported at June 30, 2001:

	Special Revenue	Trust
Excess as previously reported at June 30, 2001	\$9,315	(966)
Restatement	(966)	\$966
Restated excess at June 30, 2001	\$8,349	

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of

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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, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim moneys 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

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may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$15,224 and the bank balance was \$31,873. The entire bank balance was covered by federal deposit insurance.

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

	Fair Value
Not subject to categorization:	
Investment in STAR Ohio	\$ 2,869,563

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

A reconciliation between the classifications of cash, cash equivalents, and investments 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	\$2,884,787	
Investments of the cash management pool:		
Investment in STAR Ohio	(2,869,563)	\$2,869,563
GASB Statement No. 3	\$15,224	\$2,869,563

NOTE 5 - 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.

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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 percent of appraised market value.

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

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

The assessed value upon which the 2001 taxes were collected was \$68,431,030. Agricultural/residential and public utility/minerals real estate represented 87.51 percent or \$59,884,970 of this total; Commercial & industrial real estate represented 3.46 percent or \$2,367,920 of this total, public utility tangible represented 6.25 percent or \$4,274,750 of this total and general tangible property represented 2.78 percent or \$1,903,390 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$28.00 per \$1,000 of assessed valuation for operations, \$3.49 per \$1,000 of assessed valuation for debt service, and \$1.00 per \$1,000 of assessed valuation for permanent improvement.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

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

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

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

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002 totaled \$92,014 in the general fund, \$15,101 in the debt service fund, and \$3,037 in the Permanent Improvements capital projects fund.

NOTE 6 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective January 1, 1996 and expires on December 31, 2005. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file

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an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and totaled \$805,570 for fiscal 2002.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due from other governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	Amounts
<u>General Fund</u>	
Taxes - current and delinquent	\$1,557,180
Accrued interest	6,208
<u>Special Revenue Funds</u>	
Accounts	1,604
<u>Debt Service Fund</u>	
Taxes - current and delinquent	216,298
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	42,003

NOTE 8 - FIXED ASSETS

The following changes occurred in the general fixed assets account group during the year:

	Balance 7/1/01	Increases	Decreases	Balance 6/30/02
Land/improvements	\$257,488	\$5,014		\$262,502
Buildings/improvements	5,732,485	52,399		5,784,884
Furniture/equipment	1,969,708	135,469	\$221,010	1,884,167
Vehicles	699,345	107,153	58,496	748,002
Total	\$8,659,026	\$300,035	\$279,506	\$8,679,555

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

Furniture and equipment	\$117,366
Less: accumulated depreciation	(48,583)
Net fixed assets	\$68,783

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

NOTE 9 - LONG-TERM DEBT

All current general obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, 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 these bonds are recorded as expenditures in the debt service fund. The source of payment is derived from a current 3.49 mill bonded debt tax levy.

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

Purpose	Interest Rate	Issue Date	Maturity Date	Original Amount	Balance 7/1/01	Retired In Fiscal 2002	Balance 6/30/02
Construction and improvement bond	6.50%	2/1/1987	12/1/2010	<u>\$2,850,000</u>	<u>\$1,225,000</u>	<u>(\$125,000)</u>	<u>\$1,100,000</u>

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

Year Ending June 30	Principal	Interest	Total
2003	\$125,000	\$67,438	\$192,438
2004	125,000	59,313	184,313
2005	125,000	51,188	176,188
2006	125,000	43,063	168,063
2007	120,000	35,100	155,100
2008 - 2011	480,000	62,400	542,400
Total	<u>\$1,100,000</u>	<u>\$318,502</u>	<u>\$1,418,502</u>

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

	Balance 7/1/01	Increase	Decrease	Balance 6/30/02
Compensated absences	\$274,837		(\$18,769)	\$256,068
General obligation bonds	1,225,000		(125,000)	1,100,000
Pension obligation payable	43,993	\$40,208	(43,993)	40,208
Total	<u>\$1,543,830</u>	<u>\$40,208</u>	<u>(\$187,762)</u>	<u>\$1,396,276</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9 percent of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2002, are a voted debt margin of \$5,506,618 (including available funds of \$447,825) and an unvoted debt margin of \$68,431.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District is contracted with Nationwide Insurance Company for general liability. The District is contracted with Indiana Insurance Company for property insurance, fleet insurance and liability insurance.

Coverages provided by the insurance companies are as follows:

	Deductible	Coverage
Building and contents - replacement cost	\$1,000	\$15,540,569
Inland marine coverage	50-250	142,075
Automobile liability	500	1,000,000
General liability:		
Per occurrence		1,000,000
Total per year		5,000,000

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in coverage from fiscal year 2001.

B. Employee Health

The District offers group medical, dental, and prescription insurances to all employees through Medical Mutual of Ohio. Depending upon the plan chosen, the employees share a portion of the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Regardless of the plan utilized by the employees, all group benefit plans are traditionally funded, and the District does not retain any risk of loss.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

C. Workers' Compensation

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools 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 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total
Operating revenue	\$177,267	\$27,323	\$204,590
Depreciation expense	7,483		7,483
Total operating expenses	234,066	31,315	265,381
Operating loss	56,799	3,992	60,791
Non-operating revenue:			
Operating grants	36,106		36,106
Federal donated commodities	13,610		13,610
Interest revenue	2,328		2,328
Net loss	6,888	3,992	10,880
Net working capital	22,735		22,735
Fixed assets:			
Additions	6,237		6,237
Disposals	4,353		4,353
Total assets	112,203		112,203
Total liabilities	28,699		28,699
Total fund equity	83,504		83,504
Encumbrances at 6/30/02	1,752		1,752

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2002; 5.46 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$28,816, \$23,191, and \$35,434, respectively; 36.3 percent has been contributed for fiscal year 2002, and 100 percent for the fiscal years 2000 and 1999. \$18,346, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent 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 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$229,772, \$228,705, and \$148,537, respectively; 83.1 percent has been contributed for fiscal year 2002, and 100 percent for the fiscal years 2001 and 2000. \$38,757, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$108,839 during fiscal 2002.

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

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

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

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$62,311 during the 2002 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The 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).

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:

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

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	\$315,042	(\$20,226)	\$19,783	(\$7,062)
Net adjustment for revenue accruals	(30,865)	76,395	406	(295)
Net adjustment for expenditure accruals	(26,436)	(50,921)	(1)	(7,044)
Net adjustment for other financing uses		(1,256)		
Adjustment for encumbrances	105,458	19,741		42,405
GAAP Basis	<u>\$363,199</u>	<u>\$23,733</u>	<u>\$20,188</u>	<u>\$28,004</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. Litigation

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

C. School Funding Decision

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

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

NOTE 16 - STATUTORY RESERVES

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

	Instructional Materials Reserve	Capital Maintenance Reserve	Total
Set-aside balance at 7/1/01	\$135,231	\$24,762	\$159,993
Required set-aside	96,951	96,951	193,902
Offset credits		(40,000)	(40,000)
Qualifying expenditures	(124,489)	(81,713)	(206,202)
Set-aside balance at 6/30/02	107,693		107,693
Balance carried forward to fiscal year 2003	\$107,693		\$107,693

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

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

Amount restricted for instructional materials	\$107,693
Amount restricted for school bus purchases	16,462
Total restricted assets	\$124,155



**Auditor of State
Betty Montgomery**

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

Columbus Grove Local School District
Putnam County
201 West Cross Street
Columbus Grove, Ohio 45830-1237

To the Board of Education:

We have audited the financial statements of Columbus Grove Local School District, Putnam County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 29, 2004, in which we disclosed the District reclassified its scholarship funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 29, 2004.

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

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

Betty Montgomery
Auditor of State

January 29, 2004

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

SCHEDULE OF FINDINGS
JUNE 30, 2002

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

FINDING NUMBER 2002-001

Reportable Condition

Athletic Season Ticket Sales

A seating chart and some duplicate receipts were maintained for season ticket sales; however, no record is maintained of how many of the various types of tickets are available for sale, who purchased tickets, and the type of ticket purchased. This could cause errors or irregularities to occur and not be detected during the normal course of operations. To improve controls of season ticket sales we recommend: 1. duplicate receipts be issued for all monies collected, 2. season tickets be pre-numbered, 3. a listing be maintained of purchaser, ticket number, type of ticket sold, amount paid, date paid, and receipt number, and 4. all unsold tickets be retained for audit. At the end of each sale the number of tickets sold should be reconciled to the number of tickets that were available prior to the start of sales less the number of unsold tickets remaining and the amounts paid into the Treasurer.

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**Auditor of State
Betty Montgomery**

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800-282-0370

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COLUMBUS GROVE LOCAL SCHOOL DISTRICT

PUTNAM 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 4, 2004**